Austria	Sch24	Indonesia	Rp3100	Philippines	[illegible]
Bahrain	Din0.700	Iran	Rls250	Portugal	Esc140
Belgium	BFr55	Israel	[illegible]	Qatar	QR8.00
Cyprus	C£0.90	Italy	L2000	S.Arabia	SR7.00
Denmark	DKr12.00	Jordan	Fils1000	Singapore	S$4.10
Egypt	E£3.25	Kuwait	Fils.600	Spain	Pta165
Finland	FMk9.50	Lebanon	[illegible]	Sweden	SKr12
France	FFr7.50	Lux	LFr55	Switz	SFr2.50
Germany	DM2.60	Malaysia	[illegible]	Thailand	[illegible]
Greece	Dr150	Morocco	[illegible]	Tunisia	[illegible]
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L1400
Hungary	Ft107	Nigeria	Naira10	UAE	Dh7.00
Iceland	IKr160	Norway	NKr12.00		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

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HONG KONG

Not quite Armageddon yet

Page 17

World News

Business Summary

US share prices fall

US share prices dropped sharply yesterday on deepening gloom about corporate earnings and a conviction that inflationary concerns will prevent the Federal Reserve from lowering interest rates any further.

The Dow Jones Industrial Average of blue chip shares fell 77.45 points to close at 2,600.45. This was the largest decline in the index since it plunged 190 points on October 13. Volume totalled only 151m shares which suggests that there was scarcely any buying interest even at these sharply lower levels. The market has now fallen more than 200 points from the record high of 2,810.15 hit on January 2, the first trading of the year, when investors were euphoric because they believed that the Federal Reserve would continue gradually to lower interest rates and stave off recession.

Party rejects key reforms in Yugoslavia

Yugoslavia's ruling Communist Party renounced its constitutionally guaranteed monopoly on power and decided to permit a multi-party system. However, it rejected overwhelmingly three crucial amendments which would have opened up the party to democratic practices. Page 2

HK puts its case

Two senior members of Hong Kong's legislative council will hold talks with UK Prime Minister Margaret Thatcher in London today to lobby for a speed-up of democratic reforms.

Leipzig scuffles

Demonstrators divided over German unity scuffled and ripped placards from each other at a rally in Leipzig, renewing tensions plaguing East Germany's reform movement. Modrow offer, Page 18

Romanian advance

Romania's ruling National Salvation Front moved closer to declaring itself a political party in readiness for the first general election after the overthrow of Nicolae Ceausescu. Page 2

Treatment for mayor

Marion Barry, mayor of Washington DC, arrested last week by agents who said they had filmed him smoking "crack" cocaine, left the city he has ruled for more than a decade to seek treatment in Florida.

Japan's moon shot

Final checks were showing everything ready for Japan's scheduled attempt today to become the third nation to send a spacecraft to the moon.

Kashmir defiance

Large Moslem crowds in Kashmir clashed with security forces, defying a government curfew for the third consecutive day. Page 18

Natal feud deaths

Feuding black groups killed five people and injured four in South Africa's Natal province, the latest victims of a power struggle between the Zulu Inkatha movement and the United Democratic Front.

Yeltsin's wish

Soviet politician Boris Yeltsin, visiting the atom-bombed Japanese city of Hiroshima, said he wanted to see Asia become a nuclear-free zone.

Oval Office facelift

The White House Oval Office, centre of US presidential power and influence, has undergone a $52,000 facelift.

Peking initiative

Zou Jiahua, the first senior Chinese leader to visit Japan since Peking's military crackdown, appealed to Japanese businessmen to invest more in his country. The response was more polite than positive. Page 6

Links restored

Israel has opened an embassy in Ethiopia, marking formal resumption of ties broken 17 years ago. Links between Israel and Czechoslovakia are expected to resume soon.

Berlin bomber crash

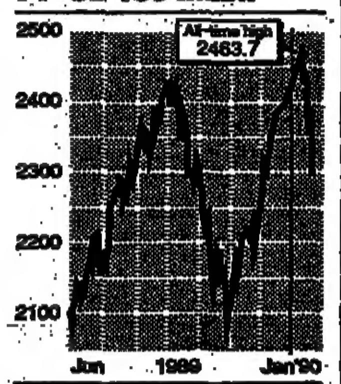
A Soviet MiG-27 bomber crashed into a forest near the Berlin suburb of Potsdam, injuring the pilot.

Nixdorf cuts 4,880 jobs to lower costs

Nixdorf Computer, loss-making West German company in which Siemens, electrical and electronics group, is taking a majority stake, announced plans to cut 4,880 jobs in an effort to lower costs and improve productivity. Page 19

EVIDENCE of an unexpected decline in British manufacturing production helped to drive UK equities lower amid fears that high interest rates could push the economy into recession. The FT-SE index dropped 37.9 points to close at 2,297.1. Page 9

FT-SE 100 index



UK Department of Trade and Industry last September filed preliminary notice of objection to Sir James Goldsmith's Hoylake consortium as a controller of BAT Industries' Eagle Star and Allied Dunbar insurance subsidiaries. DTI's submission, made during Hoylake's bid for BAT, was disclosed in Illinois hearings.

WASHINGTON is ready to open up export controls on the sale of high-technology products to eastern bloc countries which have adopted political and economic reforms. Page 18

COLOROLL, troubled UK home products group, saw its market capitalisation halve to £58m ($95m) as shares plunged from 63p to 29p, when it issued a profits warning for the second half. Page 19; Lex, Page 18

DOMINION International, financial services and property group which has been forced to seek protection from its creditors, is investigating an alleged £1m-plus ($1.6m-plus) fraud at one of its leasing subsidiaries. Page 19

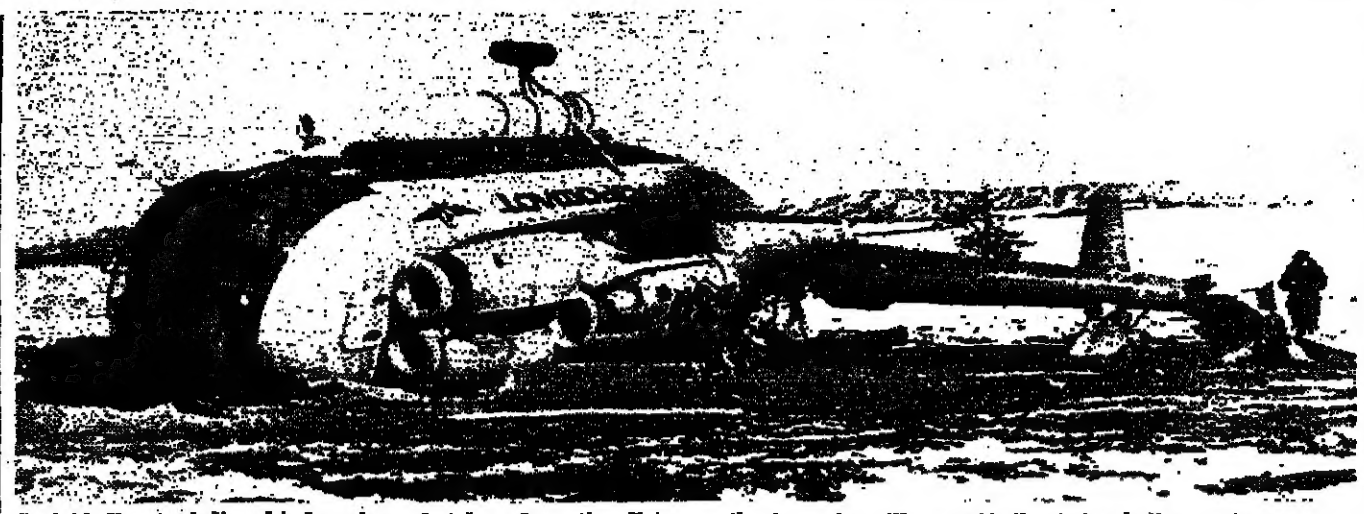
BOND Corporation, fighting against the appointment of a receiver to its cash-generating brewing interests, lost a legal round in the Victoria Supreme Court. Page 22

MINERVE, French charter company, is to meet Air France to discuss the possibility of sharing some of its scheduled routes. Page 21

MONSANTO, big US chemicals company, posted a 20 per cent rise in quarterly earnings, on the basis of record sales and steady growth in its main operating divisions. Page 21

KAUFHOF, West German store company, is floating a quarter of the shares in Kaufhalle, its chain store group, to raise DM231m ($136m) to invest in expansion. Page 20

HOLDERBANK Financière Glarus, Swiss parent company of the Holderbank cement group, has a launched a $44m bid for the US producer, Northwestern States Portland Cement. Page 21



Soviet helicopter believed to have been shot down by nationalists near the Armenian village of Chaikent, Azerbaijan, yesterday

Azerbaijan hands ultimatum to Moscow on troop pull-out

By **Quentin Peel** in Moscow

THE rebellious Azerbaijani parliament yesterday threatened to secede from the Soviet Union if Moscow did not withdraw its troops from the southern republic within 48 hours.

The decision came as hundreds of thousands of Azerbaijanis attended an illegal mass funeral for victims of the massacre at the weekend in which at least 83 people were killed by Soviet troops who stormed into the embattled city of Baku.

Nationalists claim that the death toll runs to hundreds after soldiers smashed their way through barricades to take control of the city.

Mass rallies throughout the republic, and by Azerbaijanis in Moscow, saw furious attacks on President Mikhail Gorbachev and the ruling Communist Party who face the most serious nationalist challenge in years. Public transport and factories throughout the republic were reported at a complete standstill.

Isvestia, the government newspaper, said last night that the families of Soviet soldiers were being evacuated from Baku after rumours swept the city that Russian-speaking residents would be killed.

The military also received an ultimatum from a Baku shipping line that unless troops were withdrawn, all vessels in the city's harbour would be set on fire.

The republic's Supreme Soviet held an all-night session debating the state of emergency. At dawn the parliament unilaterally cancelled the measure – in open defiance of Moscow, which imposed it. The deputies, elected under the old Communist-controlled system, also gave the authorities just 48 hours before they would decide to hold a national referendum on secession, local journalists said.

Given the state of national anger and unity since the military occupation of Baku, there seems no doubt that the outcome of such a referendum would be an overwhelming vote for independence.

Thousands of party members ceremonially burned their party cards, or sent them in to be returned to Moscow as the nation joined in an outpouring of grief and anger, combined with open rebellion against Soviet power.

A statue of Vladimir Lenin was torn down by the protestors in the town of Pushkino, near the Soviet border with Iran, and the Communist Party headquarters were gutted by fire, according to Tass, the official news agency.

In Baku itself, Shia Moslem leaders in the republic joined in the mourning and issued a public appeal to Mr Gorbachev: "Words cannot convey all the grief of the Azerbaijani people; its never-ending sorrow," they said.

The huge crowds, estimated at up to 1m people by the local news agency, Azerinform, followed at least 60 bodies to the Nagorny Park above the city, where they were buried in a mass grave.

Dressed in black, with huge black banners draped from buildings along the route, the crowd bore portraits of the "martyrs" who died at the city's barricades.

In spite of Azerbaijani insistence that as many as 1,500 may have died – and their bodies dumped in the Caspian Sea – Lt-Gen Vladimir Dubinyak, the army commander of the city, denied the reports as "an outright lie."

Of the official death toll of 83, he said that 14 were soldiers.

Continued on Page 18

Rage and nationalism, Page 2

British Telecom puts stake in Mitel on market

By **Hugo Dixon** in London and **Bernard Simon** in Toronto

BRITISH TELECOM has put up for sale its 51 per cent stake in Mitel, the Canadian manufacturer of computerised telephone switchboards, the UK telecommunications company said yesterday.

The move marks a retreat from BT's ambition, held in the initial period after its privatisation in 1984, to become a global force in office automation equipment. Though it still has international ambitions, its focus is on telecommunications services rather than manufacturing.

Mitel was making losses when BT paid C$322.4m (US$277m) for a majority stake in 1986.

Although the company returned to profit in the year to March 1989, its performance deteriorated again in the quarter to September, when it earned a meagre C$200,000.

BT will lose heavily on its investment. Mitel's shares sank to C$2.70 on the Toronto Stock Exchange yesterday morning, down 13 cents from Friday and barely a third of the C$8 that BT paid for them.

Ms Judy Stewart, an electronics analyst at Kleinwort Benson Securities in London, said: "On balance, I think it is good they [BT] are cutting their losses and running," although she expressed scepticism about how easy it would be to find a buyer for Mitel.

The most likely buyers are thought to be large manufacturers of computerised switchboards, such as NEC and Fujitsu of Japan, Siemens of West Germany, Alcatel of France and American Telephone and Telegraph.

BT said its preference was to sell but, if it was unable to, it would pursue other options which it refused to specify. The options did not include closing Mitel down, it said.

Mr John Jarvis, Mitel's president, said yesterday BT's decision would end the uncertainty and rumours that have clouded recent relations between the two companies. He said that Mitel has been in contact with several potential partners, but that "it's been difficult to progress without a clear indication from BT what its intentions were."

Mitel's difficulties began with its expansion in the mid-1980s from small to large switching systems. Since then, it has cut its workforce and closed a number of manufacturing facilities, but has been hit by slack demand and price-cutting for telephone switching equipment.

Many of Mitel's problems have been blamed on its inability to establish a stable distribution network for its products.

There are also doubts whether the company is large enough to continue investing in research and development to update its products.

Mr Jarvis described the most recent financial results, which included a 4 per cent drop in revenues, "a bit disappointing."

It remains the leading supplier of small computerised switchboards with fewer than 100 lines, has a substantial presence in the European market and manufacturing facilities in Canada and the US.

Lex, Page 18; Details, Page 26

VW spells out East German plan

By **Andrew Fisher** in Frankfurt

VOLKSWAGEN said yesterday that its planned venture to modernise East Germany's car industry could lead to an initial investment of DM5bn ($2.9bn).

Mr Carl Hahn, the company's chief executive, said in an interview with the Financial Times that the venture would aim to build "a new affordable product which would be exportable to east and west to earn foreign exchange." This was necessary for East Germany's industrial modernisation and growth. Production in the first stage would be about 250,000 vehicles a year, more than East Germany's total present output of Trabant and Wartburg cars.

Mr Hahn said details still had to be worked out, including the type of contribution from both sides. "We are talking of something around DM5bn as the first instalment without any doubt." Financing for the project would have to come from the west, he said. "Our company is very liquid, so we would be capable of supporting it."

He added: "I'm sure western Governments would give credit guarantee facilities to eastern European countries for intelligent projects." East Germany's share could be partly in the form of assets such as sites and equipment.

VW officials will visit plants of IFA-Kombinat Personenkraftwagen, the East German car group, next month to see what needed to be done.

The new product would use engines made in East Germany at a plant already acquired from VW in a deal completed during the mid-1980s.

Some components will come from VW. "Our policy is to try to offer IFA a range of products and components which would give a future to all its plants. We do not want to make an orphan out of any town."

Mr Hahn said it was too early to talk about the models to be produced under the venture, which will be formally based in East Germany once laws allowing joint ventures are passed. But VW has indicated that both cars and commercial vehicles would be involved.

They would have to be suitable, however, for sale by VW both in the west and in eastern Europe, Mr Hahn said: "You can't sell yesterday's products in central Europe."

India lodges criminal charges against Bofors

By **K. K. Sharma** in New Delhi and **Robert Taylor** in Stockholm

INDIAN authorities yesterday filed preliminary criminal charges against Sweden's Bofors company over alleged bribes paid by the company to secure a Rs14.38bn ($854m) arms contract.

India's Central Bureau of Investigation filed a 20-page report before a Delhi judge relating to the contract awarded in 1986 to Bofors for supplying howitzers to the Indian army.

The company has been at the centre of a controversy in the past two years over alleged bribes and kickbacks made to win the contract. The allegations rocked Mr Rajiv Gandhi's Government and figured prominently in last November's general elections.

Mr Gandhi was defeated by Mr V. P. Singh who campaigned hard against Mr Gandhi on an anti-corruption platform. Mr Singh promised to get to the bottom of the scandal and said India would do no more business with Bofors

Continued on Page 18

More embarrassment in Sweden, Page 6

Saudi Arabian family to sell 20 per cent holding in BCCI

By **Richard Donkin** in Washington and **Tim Dickson** in Brussels

SAUDI ARABIAN banking interests, representing one of the largest groups of shareholders in the Luxembourg-based Bank of Credit and Commerce International are selling their family-held stake, the bank confirmed yesterday.

Confirmation of the move follows last week's court case in Tampa, Florida where two of BCCI's subsidiaries entered guilty pleas to drug money laundering charges in the US.

As plans for the sale of the Saudi stake emerged the position of one of the subsidiaries involved in the plea bargain, BCCI SA of Luxembourg, was in effect under review by the authorities there, in the wake of the US legal deal.

BCCI, which has agreed to forfeit $14.8m, equivalent to the amount of money laundered through its branches, said negotiations were taking place for the sale of a 20 per cent stake in the bank held by Sheikh Khalid Salem Bin Mahfouz, a BCCI director, and his brothers, in five parcels of 4 per cent each.

The family, based in Jeddah, is a majority shareholder in the National Commercial Bank, Saudi Arabia's largest bank.

BCCI said that the Bin Mahfouz stake was still registered in the names of nominee holding companies that had been used by the family.

It did not know whether the sale had been completed or the identity of possible buyers.

The bank said, however, that there was an agreement between the bank's shareholders that any shares sold would be taken up by other shareholders. This agreement would govern the sale of the Bin Mahfouz stake.

Some 40 per cent of BCCI is owned in the United Arab Emirates where the Zayed family of Abu Dhabi and the Abu Dhabi Investment Authority are prominent shareholders.

The share sale was under negotiation before the BCCI deal with a Federal court in Tampa, Florida, last week, under which drug money laundering and drug trafficking conspiracy charges against the BCCI parent company were dropped in return for pleas of guilty to drug money laundering by two of the bank's subsidiaries, BCCI SA of Luxembourg and BCCI (Overseas) of Grand Cayman.

Because BCCI has no lender of last resort behind it, the onus for bailing the bank out of any difficulties would fall on the shareholders, who have accepted responsibility in letters of comfort lodged with the Luxembourg Monetary Institute, the bank's regulator.

The bank has refused to detail its plea bargaining arrangements, although part of the deal was to co-operate with further US investigations.

Separately yesterday, a senior official of the Luxembourg Monetary Institute (IML), the Grand Duchy's regulatory body, said the Luxembourg authorities "will study the US file," before deciding whether or not to take action.

He added: "It is clear that something has happened in the US but we are not making any judgments at this stage."

CONTENTS

MARKETS

The Brady initiative: Beast of an undue burden

Relations between leading bankers and the US Treasury are degenerating into open hostility unprecedented since the start of the Third World debt crisis. The cause: US Treasury Secretary Brady's debt initiative. Page 16

STERLING
New York close
$1.63685
London:
$1.6395 (1.647)
DM2.8225 (2.8075)
FFr9.595 (9.535)
SFr2.51 (2.4925)
Y240.0 (239.75)
£ index 88.2 (88.1)

GOLD
New York: Comex Feb
$408.0
London:
$405.25 (410)

N SEA OIL (Argus)
Brent 15-day Mar
$19.55 (−0.35)

Chief price changes yesterday: Page 19

DOLLAR
New York close
DM1.7245
FFr5.8610
SFr1.535
Y146.55
London:
DM1.722 (1.7045)
FFr5.8525 (5.79)
SFr1.5315 (1.514)
Y146.4 (145.6)
$ index 68.0 (67.8)
Tokyo close: Y146.42

US Lunchtime Rates
Fed Funds 8⅛%
3-mo Treasury Bills:
yield: 7.96%
Long Bond:
98
yield: 8.3%

STOCK INDICES
FT-SE 100:
2,297.1 (−37.9)
FT Ordinary:
1,840.1 (−27.9)
FT-A All-Share:
1,153.98 (−1.3%)
New York close
DJ Ind. Av.
2,600.45 (−77.45)
S&P Comp
334.62 (−4.53)
Tokyo: Nikkei
37,257.01 (+420.47)

LONDON MONEY
3-month Interbank:
closing 15 7/32 (same)
Liffe long gilt future:
Mar 87 15/32 (88 15/32)

EUROPEAN NEWS

Communist split in Yugoslavia looks inevitable

By Judy Dempsey in Belgrade

YUGOSLAVIA'S divided ruling Communist party looks set to avoid a formal split at this week's congress by accepting a compromise final document. However, the Slovene party is likely to break with the Federal one after the meeting.

The eventual division into two separate parties, or even eight Communist parties based on the six republics and two provinces, now seems almost inevitable.

After three days of bitter polemics, the congress yesterday moved into a plenary session attended by the 1,600 delegates to discuss all 178 amendments to the party's draft document which sets out how the League of Communists of Yugoslavia (LCY) should reform itself to pave the way for a multi-party system.

But so far, the Serbian party, among the most conservative but increasingly sensitive to how the political tide is flowing against it, refuses to drop its ideological commitment to democratic centralism, the guiding Leninist concept to ensure party discipline. Other republics, most notably Croatia and Slovenia, do not want it retained for both ideological and political reasons.

Both parties are coming under increasing pressure to transform themselves into electorally accountable movements as they face the first free ballot in over 45 years this spring. Both, and particularly the Slovenes, who have been the most outspoken in the need for radical changes in the party structure, have turned the congress into a virtual electoral campaign to ensure their political survival in the elections.

Slovenia failed at the weekend to push through a proposal aimed at transforming the Federal party into a "League of Leagues". This would have created a confederal party organisation with absolute autonomy from the Federal party.

"We cannot accept democratic centralism or monolithism in the Federal party," said Mr Petar Bakes, a delegate from Slovenia. He played down reports that Slovenia wanted to leave, however.

"Our intention is to use a clear formula to speed up the democratic transformation of the LCY. We believe this congress is our last chance to go through with this reform."

Mr Ivan Racan, one of the more radical delegates from Croatia, said that if the LCY did not reform itself, then a split was possible.

"There are already two parties in the LCY: the old party of yesteryear and the new reform party. These trends will come to a head [at the congress]. We do not support democratic centralism but democratic unity."

Armenians in Yerevan mourn a leader killed in fighting with Azerbaijanis

Rage and nationalism make potent brew in Azerbaijan

By Quentin Peel in Moscow

THREE flags were flying yesterday on the facade of the Art Deco building which houses the official mission to Moscow of the Soviet republic of Azerbaijan. One was the official Soviet flag of the republic, with the statutory hammer and sickle in the corner, which always flies there. The other two were new.

The first was the tricolor of the independent Azerbaijan republic, founded in 1918 and incorporated into the Soviet Union in 1921. The second was black for mourning.

Between them they symbolise the sense of vengeful grief, mixed with triumphant nationalism, that has spread even to the official representation of Soviet power in Azerbaijan – the office which has hitherto always been an apologist for the system.

Outside the mission, a large group of dark-skinned young men, some of them still wearing their Soviet army uniforms, were milling around in the snow, waiting to vent their grief and rage at the massacre of nationalist demonstrators, including women and children, in their capital, Baku.

They were gathering for a mass demonstration, and ritual burning of Communist party cards, outside the Soviet Defence Ministry yesterday.

Inside, leaders of the Azerbaijani community in Moscow insisted on their total national solidarity, and condemnation of the Soviet army's imposition of effective martial law on Baku, with a still unknown loss of life on both sides.

Every speaker insisted that the fault lay entirely with the Soviet authorities and with the nationalist demands of Armenians, seeking to wrest control of the region of Nagorno-Karabakh from Azerbaijan. They were convinced that the pogroms against Armenians in Baku – the ostensible reason for the army intervention – were actually a deliberate "provocation" by the KGB.

Dr Lala Gadzhieva, a leading medical scientist, begged outsiders to understand the grievances of Azerbaijan as well as Armenia.

"You all agreed that extreme measures should be taken there, because you were shown the information about Armenian refugees," she said. Yet there were 200,000 Azerbaijani refugees who had fled Armenia. "They still live in tents in Baku. They have no money for existence. It was not action, but reaction of Azerbaijani refugees who wanted to live in normal conditions."

The speakers also attempted to give the lie to allegations of Moslem fundamentalism fuelling the nationalist movement. "The slogans about a Moslem state don't have any basis," said Mr Sukhrab Shamkhalov, a leader of the Azerbaijan Popular Front in Moscow. "We don't pretend to become a Moslem state."

Professor Saleh Aliyev, of the Soviet Academy of Sciences, also rejected the fundamentalism accusation, made among others by President Mikhail Gorbachev.

"Of course there are groups in Azerbaijan who back the Moslem movement, but you must bear in mind that it is not only a religious movement, but a political one," he said.

"The Popular Front had been seeking power by purely political means, and had practically won it."

Yet others in the Azerbaijani community warn that the Moslem reaction could now become much stronger. "People will react to the massacre in a Moslem manner," one young intellectual said. "That means the conviction that if they die for the cause, they will go straight to heaven."

Soviet-US agreement on inspection of N-warheads

By William Dullforce in Geneva

THE US and the Soviet Union agreed yesterday to inspect each other's nuclear warheads as a preliminary step towards concluding a strategic nuclear arms reduction (Start) treaty before the end of the year.

The agreement was reached in an exchange of letters between Mr Richard Burt and Mr Yuri Nazarkin, the chief negotiators in the bilateral Start talks which resumed here yesterday a week earlier than anticipated. The talks aim at cutting by half the superpowers' long-range nuclear arms to 6,000 warheads on each side.

During the trial inspections agreed yesterday methods will be tested for checking that the number of warheads carried by a ballistic missile is no larger than that to be specified in the Start treaty. Each side will show methods for checking one intercontinental ballistic missile and one submarine-launched ballistic missile.

Washington will demonstrate on its Peacekeeper ICBM and the Trident Two SLBM, Moscow its heavy SS-18 ICBM and its SS-N-23 SLBM.

In a joint statement the two sides said the warhead inspections marked an important step towards an effectively verifiable Start treaty. Mr Burt, who met reporters with Mr Nazarkin, said the major outstanding issues could be resolved by June, in time to allow for the completion of a treaty by the end of the year.

Prominent among these issues is the question of the range of the air-launched cruise missiles to be covered by the treaty and the number of ALCMs to be attributed to each heavy bomber. The US wants the treaty to cover missiles with a range of over 1,500kms; the Soviet Union wants the limit to be 600kms.

Mr Burt said the ALCM problem would be tackled by Mr James Baker, US Secretary of State, and Mr Eduard Shevardnadze, Soviet Foreign Minister, in Moscow on February 6-7.

Another key issue concerns the limits to be imposed on sea-launched cruise missiles carrying nuclear warheads. Washington has agreed to look at a Soviet proposal that the SLCM issue be settled outside Start but opposes the idea that they should be dealt with in separate negotiations on reductions in naval strengths.

Commission probe into Exxon deal

By William Dawkins in Paris

THE CONDITIONS under which the French electricity board will offer power at advantageous rates to Exxon Chemicals, the US-owned producer, are being examined by the European Commission's competition authorities.

Brussels has yet to decide whether the deal, to provide current for a proposed FFr2.5bn (£262m) investment in new capacity at Exxon Chemical's main French site in Normandy, includes state aid, which is strictly controlled under EC competition rules.

The deal is the latest example of a campaign by Eléctricité de France (EdF) to attract big industrial power consumers to help mop up a temporary excess of nuclear capacity resulting from an over-ambitious power station building programme.

Only last October, the Commission imposed strict conditions on the terms under which EdF could supply cheap power to a new plant to be built by Pechiney, the leading aluminium producer, after a year-long inquiry. This set the ground rules for EdF's talks with other industrial groups, of which the Exxon Chemicals proposal is the first to emerge.

French industry officials say EdF is in talks with four or five other big power users, which cannot yet be identified.

Commission officials stress that the Exxon deal, which has yet to be concluded, poses no apparent problem, but they need more information to make a decision.

French Industry Ministry officials deny subsidies are involved. EdF is offering to supply power at well below average rates in return for which Exxon Chemicals has to stop using electricity – or pay very high rates – for 22 days each winter.

This type of contract, standard for big industrial users, helps EdF even out big seasonal changes in overall consumption.

In addition, it is said to be considering investing up to FFr70m in the Exxon Chemicals plant, though neither side confirms this.

The project would lift Exxon Chemicals' annual ethylene capacity in Normandy from 320,000 tonnes to 400,000 tonnes.

VW chief eyes the East European megamarket

By Andrew Fisher in Frankfurt

CHEMNITZ was once considered "the Manchester of Europe," says Mr Carl Hahn, the chief executive of Volkswagen, the West German motor group. Mr Hahn was born there 63 years ago when it was a thriving engineering and textile centre. Germany's Auto Union motor company was based there and his father was a managing director. For two summers, the teenage Hahn was an apprentice, learning how to overhaul engines and make starter casings.

Today, the city is deep in East Germany and no-one would compare it with Manchester in its industrial heyday. Renamed Karl-Marx-Stadt, it is the centre of the East German car industry, with which VW has already forged close links.

But Mr Hahn does not expect it to be long before the old name is restored. (Some wits have even suggested it should be called Carl-Hahn-Stadt.)

Gratifying though a return to the old name might be, Mr Hahn regards as far more important the incredible pace of political and economic change in East Germany and the rest of eastern Europe. For four decades, places like Karl-Marx-Stadt "have suffered the burden of a heavy administration and been suffocated by the weight of the Kombinate," the big industrial and commercial groupings which have controlled the country's economy.

VW is now working with one of these state concerns, the IFA-Kombinat Personenkraftwagen. IFA builds engines at a plant which was supplied by VW. The West German company buys back some of these for use in its own models. That deal was concluded in the mid-1980s. But these days, VW and Hahn have their eyes fixed on a far more exciting prospect.

Mr Hahn does not mince his words or indulge in diplomatic business caution when he speaks of the outlook for the two Germanys and the rest of Europe. Just two years away from retirement, he refers to "an unimaginable gift of fate." With the addition of around 140m people in eastern Europe (excluding the Soviet Union but including the 15m of East Germany), the European market has been increased dramatically.

"It is a type of megamarket without parallel," he exclaims. For Mr Hahn, sitting in his office high in the VW administration block in Wolfsburg, the enthusiasm stems as much from his own past as from the fact that its headquarters is near the border with East Germany. When the Nazis set up VW in 1938, they chose a location right in the country's centre.

With the two Germanys coming together again, Wolfsburg is no longer the post-war border town from which VW expanded after the war to become one of the driving forces of the Wirtschaftswunder.

The old links can be restored and Mr Hahn sees VW as being one of the main economic binding forces between East and West Germany. VW has signed an agreement with IFA which will become a proper joint venture when East Berlin has passed the necessary laws.

Although details are still sketchy, the two sides intend to develop new vehicles to replace the present creaking generation of East German cars, the spluttering, polluting Trabant and the more solid but not much more appealing Wartburg. In the next few years, this will involve heavy investment in the East German industry at such sites as Karl-Marx-Stadt, Zwickau, Eisenach, and Zschoppau.

Mr Hahn reckons the sum needed in the first few years will be around DM5bn (£1.78bn). VW clearly has the cash resources to provide its share of the investment. It made a net profit of more than DM1bn last year on turnover of DM65bn; though it is too early for even vague forecasts of 1990, Mr Hahn is optimistic over VW's prospects based on the first three weeks and the economic background – "everything looks good."

The East German contribution could, notes Mr Hahn, come in the form of physical assets like the modern engine plant. Yet however the finance is raised – western Government and banks would clearly play a vital role – the end results would have to be a car and commercial vehicle capable of holding their own, whether in eastern European markets or at the lower end of the western market, where VW is represented with its Polo car and the products of Seat, its Spanish subsidiary.

Again showing his penchant for dramatic forecasts, Mr Hahn reckons that eastern European countries could eventually grow as fast as the dynamic smaller economies of the Far East, with double-digit growth rates. Before that happens, however, there is plenty of reconstruction to be done, both physical and human.

Romania Front closer to becoming political party

By Victor Mallet in Bucharest

ROMANIA'S ruling National Salvation Front yesterday moved closer to declaring itself a political party in readiness for the first general election after the overthrow of Nicolai Ceausescu.

Members of the Front are gradually abandoning the pretence of political aloofness they have tried to maintain since the revolution last month. Romania's other fledgling parties are concerned that the popular, but unelected, Front is implementing policy without a mandate and will have an advantage in any election.

Mr Aurel Dragos Munteanu, a Front spokesman, said yesterday the Front had been urged by the people to present its candidature and become an independent movement, but he declined to say how it would respond.

Some individual Front members have said they intend to stand for election while others say they have no intention of going into politics. A decision by the Front to stand as a group would be controversial both in Romania and abroad.

It would raise questions about how the country should be run until the election, scheduled for April but now likely to be postponed. One possibility would be to bring members of the other parties into government.

Progress in EFA radar deadlock

By David White, Defence Correspondent

WEST GERMANY and Britain yesterday reported "significant progress" in resolving their deadlock over the £1bn radar system for the European Fighter Aircraft and reaffirmed their belief that the four-nation interceptor should go ahead.

A meeting in London between the two defence ministers, Mr Gerhard Stoltenberg and Mr Tom King, was described as constructive and friendly. The two sides foresaw a solution "very shortly."

Bonn is believed to have set tough conditions for accepting a British-led radar designed by Ferranti instead of a West German-led version of a radar produced by Hughes of the US.

It is thought that if the two countries were to develop separate radars, Bonn might be forced by budget constraints to take a much less advanced system than originally envisaged.

A statement after the meeting reaffirmed that a modern fighter was needed, particularly to match the latest Soviet jets, and that the £22bn EFA was "the best solution" for the RAF and Luftwaffe.

Bonn steps up the pressure for East German economic reform

By David Marsh in Bonn

THE West German government yesterday stepped up pressure for comprehensive economic reforms in East Germany as the Free Democratic Party (FDP), junior partners in the Bonn coalition, called for full-scale economic and monetary union with the East German state.

In its annual economic report, which forecasts 3 per cent real growth in 1990 in West Germany after 4 per cent last year, Bonn paints a rosy picture of the upswing, entering its eighth consecutive year.

Unemployment this year is expected to stabilise at around 8 per cent of the workforce, as a result of more large inflows of immigrants from eastern Europe.

The inflation rate this year is projected to fall slightly to around 2.5 per cent after 3.1 per cent in 1989. This optimistic forecast depends, however, on trade unions following government exhortations to cool wage demands.

As a result of large tax cuts which took effect this month, private consumption – estimated to rise by between 3 and 4 per cent in real terms this year – is expected to take over from exports as the main motor of the economy.

Capital investment is forecast to rise by 4.5 to 5.5 per cent after 6.9 per cent last year.

Last year, domestic demand rose only 2.3 per cent while exports of goods and services increased by 10.8 per cent and imports rose by 6.4 per cent. This year, domestic demand is seen as growing by 3 to 3.5 per cent with exports up 5 to 6 per cent and imports rising by between 6 and 7 per cent.

Presenting the report yesterday, Mr Helmut Haussmann, the Economics Minister, said that East Germany could cure its economic ills only by introducing a West German-style "social market economy."

One the eve of a fresh meeting in East Berlin today with East German government representatives, including Ms Christa Luft, the Economics Minister, Mr Haussmann proclaimed: "Socialism is dead."

Mr Haussmann's message was backed up by a meeting of the FDP's executive board which proclaimed the need for full economic union with East Germany to provide a "perspective" for the people living there.

Publication of the annual economic forecasts yesterday coincided with a separate report from Bonn's council of independent economic advisers setting down detailed prescriptions for the East German economy. The so-called five wise men urged rapid action to reform laws affecting property, commercial businesses, the central bank, taxation and social security.

Bonn faces the difficult task of shepherding East Germany during a transition period of several years needed for economic reforms to take effect. The West German government's dilemma is that thorough economic reforms – for instance cuts in subsidies to state-owned companies, which would increase unemployment – could boost rather than diminish short-term emigration pressure.

Mr Haussmann admitted in a separate interview yesterday that East Germany would need at least another 10 years to catch up with the rest of the European community in living standards.

Forex sale marks down the rouble

By Quentin Peel in Moscow

THE SECOND auction of foreign exchange to Soviet enterprises has resulted in a further fall in the notional value of the rouble, with an average rate paid more than 17 times the official exchange rate.

The auction conducted by Vneshekonombank, the state bank for foreign economic relations, is an excellent indicator of the shortage of foreign currency in the Soviet economy, although the authorities insist that it is no guide to the real value of the rouble.

Only Soviet state enterprises are allowed to bid for or offer currency, excluding both joint ventures and co-operatives, which might be prepared to offer higher rouble amounts to obtain hard currency.

Figures published at the weekend show that successful bids for currency ranged from Rbs15.2 (the average price of the last auction) to Rbs22 for each "hard" rouble, while enterprises with currency to sell were looking for up to Rbs27.

Thus the average auction price for a hard currency rouble was Rbs17.5, or Rbs10.56 to the dollar – compared with an official value of Rbs0.63 to the dollar, and a special tourist exchange rate of Rbs6.26.

The amount of money exchanged is still tiny, Rbs8.2m, against Rbs8.4m last time, and the number of enterprises involved down somewhat to just 25 offers and 68 bids.

Uncommon quiet in Italian politics masks power reversal

Regional elections in May will bring much ritual noise but not disturb a return to an older order, writes John Wyles

FOR those accustomed to the traditional volatility of Italian politics, the last six months have offered about as much spectacle as paint drying on a wall.

In 40 years there has rarely been a period as tranquil as the six months of Mr Giulio Andreotti's premiership, which, paradoxically, may be more a cause for concern than satisfaction about the health of the nation's democracy.

However, the imminence of regional elections in May is promising the return of some ritual party conflict – even the five parties which have been the governing majority for nearly a decade are condemned to compete for votes as well as collaborate in power.

While this may yet fracture the political quiet of the past six months, it is unlikely to undo the agreement on some key strategic objectives between the men with the real power, which has rendered the Andreotti coalition the apotheosis of a regime whose foundations were laid in April 1980.

Then the Socialists ended six years in opposition by joining a Christian Democrat-led coalition. For the remainder of the decade, Mr Bettino Craxi, the Socialist leader, has devoted his energies, including his three-year tenure as prime minister from 1984-87, to weakening the CD's grip on Italian political institutions, nationalised industries and the media. His insurgency was a source of constant political tension which brought him into conflict with the then DC leader, Ciriaco De Mita who was ever anxious to contain the Socialists by keeping lines open to the much stronger Communist Party.

Factional rivalry inside the DC eventually unseated Mr De Mita last February – a victory which was as much Mr Craxi's as that of the new DC leader, Mr Arnaldo Forlani. The Craxi-Forlani relationship is as close to a personal friendship as you can find between members of rival parties in Italy and is the crucial basis for an alliance whose presence is now felt in every corner of the political system.

It had to be extended to include the "old wolf", Mr Andreotti, because he was a key factor in Mr Forlani's election and because of the need to accommodate his almost indecent desire to be prime minister for a sixth time. His appointment last July marked the launch of the so-called CAF – the Craxi-Andreotti-Forlani – alliance whose watchword has been to employ every stratagem to avoid political conflict, while the trio dedicates itself to the task of occupying as many centres of power in Italy as possible.

This marks the full return in Italy to "the primacy of politics". It has involved ejecting De Mita appointees, such as Mr Biagio Agnes, the director general of the Rai state television service, and nominating "safe" political managers to lead the giant state corporations, Iri and Eni.

In the coming weeks, the power and solidity of the CAF will be manifested in appointments at the top of the Rai, of Alitalia and of a large number of state banks. It has already been revealed in the DC's unexpected readiness to cede the mayoralty of Rome to the Socialist Minister of Tourism, Mr Franco Carrara.

The CAF's apparently arrogant ambition is certainly one factor in Mr Silvio Berlusconi's attempt to deprive Mr Carlo De Benedetti of control of Mondadori, which is Italy's largest publisher, politically unsympathetic to the CAF. Mr Berlusconi has let it be known that if he overcomes obstacles to running news programmes on his three television networks, these would reflect the views of the CAF, because the CAF, he insists, represents the opinions of the majority of Italians.

This is not demonstrably so since the CAF speaks for less than 40 per cent of the votes cast at the last general election. Moreover, the CAF's manifest desire to avoid internal political conflict does not please significant sections of commercial Italy anxious for speedier parliamentary inactivity on questions involving bank reform, regulation of financial markets, anti-trust and aid to small businesses.

Moreover legislative underpinning to a national energy plan to respond to Italy's frightening dependence on imports remains a distant prospect, while the nation's inability to halt its environmental degradation was highlighted by Milan's optimistic view that a one-day ban on motor cars from its city centre last Sunday would help clear its alarmingly polluted atmosphere.

The Socialists, finely tuned as ever to popular moods, are beginning to sense growing impatience not only with the CAF's immobility but also with other strange political developments. Old political scores are being settled within the nation's magistracy to the probable detriment of the fight against the Mafia.

The CAF rules with such authority partly because the Communist Party is totally preoccupied with a deeply divisive internal debate over its future identity. The outcome could crucially shape the future. If Mr Achille Occhetto, the PCI leader, succeeds in his bid to refound the party as a social democratic entity unburdened by the Communist label, then it is just possible that it might emerge as the fulcrum for an alternative coalition to one dominated by the Christian Democrats.

This is the most serious possible threat to Mr Craxi's strategy which aims at eventually leading any such alternative. The PCI has a key congress in March and the nationwide local elections in May will be the first public judgment on its outcome.

If the Communist vote slumps and the Socialists substantially close the 10 point gap between the two parties, Mr Craxi will have the choice between opening negotiations with the ex-Communists on presenting a "broad left" coalition alternative at the next elections, or staying with the CAF and triggering an early general election to capitalise on the PCI's weakness.

Whatever his tactics, the CAF is helping Mr Craxi ensure that the occupation of power by Socialists and their sympathisers is going to be even more exceptional for a party with slightly less than 15 per cent of the vote.

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AMERICAN NEWS

Democrats make tough clean air bill top priority

By Peter Riddell in Washington

DEMOCRATIC leaders have made passage of tough clean *air legislation the top priority* for the Senate as Congress returns today from its two-month recess, in face of administration and industry doubts about the cost.

The version of the bill produced last November by the Senate's environment and public works committee has produced concern about the costs of compliance from the car, oil and power utility industries.

President George Bush has just written to Senate leaders warning that he would oppose *amendments strengthening the* legislation if the costs to the economy exceeded "the already considerable costs" of the measures he proposed last year.

The Administration has estimated that the strengthened Senate version would cost industry and consumers some $40bn a year by the year 2,000, while officials argue that the same impact in reducing air pollution could be achieved by the original proposals for $19bn a year.

However, Senate staff involved in drafting the legislation challenge the administration figures as over-estimating the cost of reducing car pollution.

The legislation requires new programmes and sets specific targets for reducing urban smog, acid rain and toxic air pollution. The Senate version imposes greater pollution *reductions and fuel efficiency* in cars through levels of tail-pipe emissions and built-in canisters on cars than the President urged.

Industry groups have said the "best estimate" of the overall costs of the legislation is $54bn and may, for instance, reduce the size, weight and performance of cars offered for sale.

There is now likely to be lengthy debate on the Senate floor over requirements for cars to use alternative fuels *and over acid-rain controls.*

Senator George Mitchell, the Democratic majority leader and a long-standing supporter of tough anti-pollution legislation, has said he is willing to talk with Mid-Western senators, concerned that the acid rain provisions will result in large increases in electricity prices. These senators are urging cost-sharing mechanisms under which the cost of cleaning up the dirtiest coal-fired power plants in the Mid-West is partly paid for by a nationwide electricity tax or an emissions fee on cleaner utilities.

Similar problems have held up passage of the bill in the relevant House of Representatives committee and action there is likely to await passage through the Senate.

Turmoil in Europe delays Cuban trade

CUBA cited delays in shipments of cereals and flour from the Soviet Union as the reason for tightening bread rations and raising egg prices yesterday in a move that reflected a growing economic squeeze apparently caused by the political turmoil in eastern Europe, Reuter reports from Havana.

Disruption in the arrivals of Soviet and other east bloc ships to Cuba also sharply cut the Caribbean island's citrus fruit exports in December and January, forcing the government to spend scarce convertible currency to buy cereals normally obtained through barter arrangements, a government statement said.

The belt-tightening measures placed a further burden on Cubans who do not go hungry but are often hard-pressed to supplement the basic monthly ration guaranteed by the state.

The statement, in a reference to the political and economic changes shaking eastern European nations that are traditionally the main source of trade and aid for Cuba, warned Cubans to be prepared for more possible hardships.

It said that cereal and flour shipments from the Soviet Union in November, December and January, previously agreed between the two countries, had not arrived as scheduled. Nor had ships from East Germany and Poland.

In Cuba's provinces the ration was to be reduced about 20 grammes to 180 grammes, the statement said.

The price of eggs throughout the country was nearly doubled to 15 Cuban cents (29 cents).

Bush supports anti-abortion marchers

PRESIDENT George Bush assured anti-abortion marchers Monday of his "deep conviction" against a US Supreme Court ruling 17 years ago that legalised abortion, AP reports from Washington.

Mr Bush, speaking by telephone to marchers gathered outside the White House before their annual march past the Capitol and the Supreme Court, said the anti-abortion movement reminded US citizens "of the self-evident moral superiority of adoption over abortion."

Activists on both sides of the issue - sensing 1990 will be a pivotal year in the political debate on abortion - held competing events Monday marking the anniversary of the Roe vs. Wade decision that legalised abortions.

This year's marches were the first since the High Court in July 1989 issued a ruling that opened the door for states to impose some restrictions on abortion. Opponents have said they will push for new restrictions in state legislatures.

As Mr Bush spoke, pro-abortion forces led by the Planned Parenthood Federation were urging US voters to call the White House to register support for legal abortions.

Earlier, backers of legal abortion accused the Administration of double standards.

The head of the National Abortion Rights Action League told a gathering on Capitol Hill that legalising abortions was one of the first steps Romania took after overthrowing its hated dictator last month.

"It would be a travesty if the US, the beacon of democracy in the world, applauded Romania's reforms while adopting repressive anti-choice laws here at home," said Kate Michelman, executive director of the abortion-rights group.

Abortion demonstrations, both for and against, began on Sunday, and took place in Arizona, New York, Utah, Massachussetts and North Carolina.

Haitian poll prospects in shadow of repression

THE state of siege imposed on Haiti at the weekend by its military government was ostensibly to quell lawlessness, but it is widely seen as the army's first big step towards the sort of presidential election that would suit it.

General Prosper Avril, the President, has promised an election in October for his civilian successor, and has said he would not be a candidate. He is under pressure from the US, which has deplored the declaration of the state of siege, saying it puts Haiti's democratic transition at risk. Washington is unlikely to resume a full aid programme until the election is completed.

Margarette Lizaire on the implications of General Avril's latest crackdown

However, even before the weekend's events, which followed the murder of an army colonel and his wife on Friday night in the capital Port-au-Prince, shadowy plain-clothes squads were trying to undermine opposition hopes of a safe and open election. Jean-André Destin, a popular broadcaster known for satirical swipes at the regime, was shot dead this month while walking home from a radio station; blood has been daubed on the walls of political parties.

On Saturday night, according to witnesses, conservative Hubert de Ronceray was deported to Miami. Socialist Serge Gilles was arrested by a plain-clothes gang at his home, where he was thrown to the ground and kicked in front of his two small children. Dozens of opposition leaders were arrested and beaten.

This pressure is calculated to convince Haitians that a free election could lead to the sort of mayhem which quashed the last attempt to restore democracy – in November 1987 – as terror squads killed voters and scrutineers.

Gen Avril has already remarked that the country's severe economic crisis makes an election "scarcely desirable". As it happens, Haiti has rarely been out of economic crisis this century and the military administrations that followed the overthrow of Jean-Claude Duvalier and his wife Michèle in February 1986 have shown no sign of resolving it.

A pressing problem is desertification of the countryside as peasants gather any wood they can get their hands on for cooking-fires. Because of this – and because much of the best farmland does not grow food for domestic consumption but is used by exporters to grow sugar, bananas, sisal and coffee – there is a constant flow of rural people into a teeming and deteriorating capital, where a quarter or more of the population now lives.

Some 25,000 Haitians a year are emigrating, either legally, or illegally as the world's least-publicised boat people on ramshackle craft aim at the bottom rung of the American economy.

Any effort for opposition action on a national scale in Haiti is bedevilled by mistrust between the black majority (some 85 per cent) of the population and the lighter-skinned *mulâtres* who tend to have extra economic and social clout via a miasma of tensions and etiquettes going back to slavery.

Almost as complicated and intractable is the multiplicity of political parties and alliances, which spawned 35 candidates for the presidency in the bloody poll of 1987.

Given the hard-fisted official attitude now back in evidence, Gen Avril seems to want rather fewer next time – perhaps none at all.

Old ghosts will haunt Chile's new rulers

Barbara Durr on the struggle for justice over 'the disappeared'

IN a dingy and cavernous office at the headquarters of Santiago's Archbishop, half a dozen elderly ladies busy themselves with scouring the newspapers and receiving the occasional new witness to the tragedy that has marked their lives.

They are the mothers and wives of Chile's 774 disappeared. Through their Organisation of the Families of Disappeared Detainees, operated under the auspices of the Catholic church, they demand that the truth of what happened must be known and those responsible punished.

"It is a wound that doesn't heal," said Mrs Carmen Vivanco, the group's treasurer, who lost her husband, son, brother, sister-in-law and nephew in August 1975. They all vanished after being detained by authorities.

After 16¼ years of deafness to their pleas by the dictatorship of General Augusto Pinochet, they now expect some dramatic action from the incoming democratic government. Feeding their hopes, President-elect Mr Patricio Aylwin, who will take office in March, has promised truth and justice over human rights. But, given that Chile's armed forces are not eager to see their members on trial for human rights violations, delivering on that promise will be difficult. His government's political stability could well hang on how this sensitive matter is handled.

Most of the violations, particularly disappearances, took place from 1973 – when Gen Pinochet led a coup against the Socialist president Mr Salvador Allende – to 1978. In 1978, the military junta decreed an amnesty for both military human rights violators and those accused of political and terrorist crimes. They justified the move saying that during that period the country had been at war internally.

But to human rights advocates this is unacceptable. Mr Roberto Garreton, a lawyer for Catholic human rights organisation the Vicarage of Solidarity, said, "There wasn't a war, there was a massacre."

The amnesty is regarded by human rights lawyers as favouring the security forces. They say many more military and police officers benefited than did political opponents of the regime. Rights organisation's have demanded the annulment or overturning of the amnesty law – a goal in Mr Aylwin's electoral platform.

The military is set against such a move. As a measure of its attitude toward human rights trials, Gen Pinochet said late last year: "The day that one of my men is touched, the state of law is over."

In neighbouring Argentina, where some officers have gone to prison for the extensive human rights violations of the 1970s, military rebellions have bedevilled that country's new democracy.

Mr Francisco Cumplido, who is to be Chile's new Justice Minister, is therefore expected to proceed gingerly on human rights. He says that annulling or overturning the 1978 amnesty is in any case virtually impossible. A majority vote in both houses of the new Congress would be required and the Government does not have a majority in the Senate.

Instead, Mr Cumplido wants to place human rights cases in the civilian rather than the military courts, where most of the cases have been handled until now. He will press for the civilian courts to interpret the amnesty law so that pre-1978 cases of abuses, torture and murder can be investigated.

Yet, without annulling or overturning the law there could be no jail terms for those found guilty. While the families of victims and prisoners may not agree, Mr Garreton says establishing the truth and responsibility is the most important goal. "The public attention would be sufficient sanction, that children know their father is a murderer," he says.

However, Mr Cumplido argues that the cases of the disappeared should not fall under the amnesty law. In these cases, he would like to see punishment. He contends that they are crimes under the international human rights pacts that Chile has signed and that form part of its law.

A petition was filed with the Supreme Court earlier this month on the non-applicability of the amnesty to 70 cases of pre-1978 disappearances. The court's decision will be key to resolving this issue and could very well help define further the new government's strategy.

Mr Cumplido intends to expedite the cases of rights violations after 1978, which are not covered by an amnesty. He claims that the military government has been dragging its feet on these to avoid the embarrassment of prosecutions of officers.

Many of the officers who are accused of pre-1978 violations are also accused for those after the amnesty. Only some 100 officers, a kind of elite corps, were involved in the dirtiest chores of repression.

Nearly 500 political prisoners still in jail pose another thorny human rights problem for the new government. Mr Cumplido says that those who are prisoners of conscience can be released immediately under a pardon and that those whose cases are still pending can pass from military to civilian courts. But those who have been convicted and sentenced on terrorist charges by the military will have to have their cases reviewed one-by-one to see if they were given a fair trial.

While Mr Cumplido's strategy may seem low key, Mr Eugenio Velasco, president of the Social Democratic party and a prominent human rights attorney, warned: "The new government will be between two fires – the extreme right and the military and the relatives of victims and political prisoners. The ideal would be to know the truth and see justice done. But to what extent that can happen is unknown. At some point, the military, just like in Argentina and Uruguay, will say 'that's all.'"

Decision imminent on talks over IMF quotas

By Peter Riddell, US Editor, in Washington

MR Michael Wilson, the Canadian Finance Minister and the new chairman of the International Monetary Fund's policy-making interim committee, will decide this week whether to call a special meeting in three weeks to break the stalemate over an increase in the IMF's resources.

The Fund's executive board of permanent member representatives in Washington met again yesterday to discuss the issue after senior officials from the Group of Seven leading industrial countries had failed to achieve a breakthrough in Paris last week.

Differences have been narrowed over the size of the increase in IMF resources, or quotas, with a rise of between 45 per cent and 50 per cent emerging as a compromise.

But there is still a dispute over the consequences of Japan taking over from Britain the position of second largest shareholder, behind the US as largest, with West Germany in third place. France and Britain disagree over who should occupy the fourth position.

After more discussion by the executive board, Mr Wilson and senior Fund officials will consult member countries and announce by the end of this week whether an interim committee has to be held, probably over the weekend of February 10/11. A decision is necessary by mid-February to allow member governments to vote before the end-March deadline for resolving the issue.

Mr Nicholas Brady, the US Treasury Secretary, wrote recently to a congressional opponent of any increase that since the US had alone delayed completion of negotiations for almost two years "a further delay would anger our allies and be regarded as negotiating in bad faith. It would weaken our international standing and be seen as suggesting that the US is unable to fulfil its international obligations."

Mr Brady argued that the US should be prepared to support the IMF since it plays "a crucial role in the unfolding process" of providing financial assistance to Poland and other Eastern European countries as they "restructure their economies towards a market basis".

AMERICAN NEWS

Pollution washes the wildlife downstream

David Owen on the threat posed by man's neglect of the St Lawrence river in Canada

THE haunting whistled song of the beluga may soon be no more than a memory at the confluence of the St Lawrence and Saguenay rivers in eastern Quebec.

Fewer than 500 of the endearing white whales are thought to remain in the region's icy waters. Their frequently disease-riddled bodies are washing up on the scenic shoreline at the rate of 20 per year.

But the beluga, whose playful demeanour and beguiling smile put it in the same league as seal-pups for cuteness, is merely the best-known example of the St Lawrence's vanishing wildlife.

Between 25 and 40 species – including the striped bass, a popular sports fish, and numerous obscure bottom-feeders – have already disappeared, according to Mr Daniel Green, co-president of the Montreal-based Société pour Vaincre la Pollution.

Mr Green is one of a growing band of environmentally minded scientists and activists who blame this alarming toll on high pollution levels. The striped bass, he says, was "very sensitive" to PCB contamination. Beluga carcasses are frequently found to be laced with a chemical cocktail comprising PCBs, heavy metals and pesticides.

The validity of such views may still be a matter for conjecture. But the potent symbol of the dying beluga, coupled with a rising tide of concern as to the quality of drinking water, has shaken residents of Quebec into according the long-neglected St Lawrence more respect.

This great artery, which formed the backdrop to much of Canada's early history, remains the country's most important commercial waterway. Together with the Great Lakes, it forms a system which penetrates more than 2000 miles into the North American interior. In 1988, it carried 40.6m tonnes of shipping in the Montreal to Lake Ontario section alone.

In recent years, the river's hinterland, has become increasingly industrialised as corporations have flocked to take advantage of the cheap power from premier Robert Bourassa's vast hydroelectric projects to the north. By 1992, about 12 per cent of the non-communist world's primary aluminium will be produced in the St Lawrence region.

But while the metal, paper and chemical plants which line the river have enriched Canada's only predominantly French-speaking province and strengthened its secondary industrial base, they have done so at considerable environmental cost.

Though nobody argues that the St Lawrence is as seriously contaminated as the worst affected European and American waterways, Environment Canada describes current pollution levels as "dangerously high".

Despite environmental spending put at C$3bn ($2.6bn) over the past decade by Mr Jean-Paul Letourneau, executive vice president of the Quebec Chamber of Commerce, industry is still thought to dump 100,000 tonnes of toxic waste per annum into the river.

The position has been exacerbated both by the toxins which seep into the river from the Great Lakes, and by the province of Quebec's traditional reluctance to jeopardise the viability of old plants by enforcing tougher emission standards.


Veterinarians perform an autopsy to find out what killed this beluga whale washed up in the St Lawrence River

According to a leaked government study, five of the 11 highest rated pulp and paper mills in Canada for effluent discharge are located in La Belle province.

Industry alone is not responsible for the river's contaminated state, however. Farms contribute a torrent of fertiliser and pesticide residues, as well as quantities of animal waste.

About 500,000 tonnes of chemical fertiliser and 2,000 tonnes of pesticides a year are estimated to be used on the more than 1m hectares of farmland in the St Lawrence basin. Municipalities, meanwhile, have long been accustomed to dumping domestic waste into the river as raw sewage.

But as the 'greening' of public consciousness gathers momentum, it appears increasingly probable that efforts to secure significant reductions in effluent levels will be sustained.

"There is a rapid growth in people's appreciation of the value of clean water," according to Mr Letourneau. Certainly, the clean-up programmes that have been unveiled have set themselves some lofty targets.

Ottawa has earmarked C$110m over five years to June 1993 for an action plan which aims to reduce by 90 per cent liquid toxins emitted by the 50 biggest polluters.

The Government characterises the programme as "a sort of crucible from which will emerge new environmental technologies, innovative intervention methods and a precious expertise that can be applied in other parts of the country."

The plan will also establish a marine park in one of the beluga's favourite haunts, and remove contaminated sediments from a number of ports.

The provincial government is allocating C$6.2bn to construct municipal sewage plants throughout the province in a programme which is expected to last until 1994-95. According to Mr Jacques Simon of Environment Quebec, some 250 purification facilities, servicing about 40 per cent of Quebec's non-rural population, are up and running.

Under the guise of an industrial waste reduction programme, meanwhile, the province is also attempting to encourage business to invest a further C$2bn to cut industrial pollution by 75 per cent over 10 years.

Mr Letourneau even predicts that it will be possible to cut out all industrial emissions from plants in the region "by the end of the year 2000", at a cost of up to C$6bn.

He warns, however, that the speed at which progress is made may depend to an extent on future exchange rate, interest rate and commodity price fluctuations.

Not everybody is as optimistic. Mr Green harbours serious concerns about the ongoing "aluminisation" of the St Lawrence. "Even though the new plants are going to be cleaner than their forerunners, the cumulative effect might be negative," he says.

Canada to toughen standards in pulp and paper industry

By Robert Gibbens in Montreal

THE CANADIAN federal government will introduce tough new environmental standards for the pulp and paper industry this spring.

They will be aimed primarily at dealing with effluence from pulp mills and will be enforced gradually by 1994, superceding provincial laws.

The updated Canadian Environmental Protection Act wil ensure elimination of dioxins and other toxins emitted by pulp and paper mills mainly during the pulp bleaching process.

Many companies are already reducing chlorine in bleaching or are installing high-yield pulping systems which use other bleaching agents.

The Federal Pulp and Paper Effluent Regulations of 1971 will be updated to set new effluence limits.

Officials say standards approaching the Swedish levels will be in place and all mills, incinding those built before 1971, will come under the new regulations. In all, Canada operates 146 pulp and paper mills.

Some older pulp mills on the west coast will require capital spending of C$100m ($86.9m) or more to achieve the Government's new goal.

A C$1.3bn 500,000 tonnes yearly bleached kraft pulp mill planned by a Japanese consortium in northern Alberta has become a national issue.

During public environmental hearings this autumn, a senior federal environment official called its anti-pollution programme "unacceptable" because of the effluence it would deposit in the Athabasca River.

● A Canadian-owned tanker Frank H. Brown ran aground in a narrow channel in Alaska's scenic Inside Passage, spilling an estimated 57,680 gallons (218,000 litres) of gasoline, the US Coast Guard said, AP reports from Juneau, Alaska.

The spill was not expected to cause widespread environmental damage because gasoline evaporates quickly, Coast Guard and state environmental officials said.

US may have 'inflated' wealth of Gen Noriega

OFFICIALS of the US-installed Panamanian government admit that Washington may have exaggerated the extent of ousted General Manuel Antonio Noriega's wealth, AP reports from Miami.

The US State Department's contention that Mr Noriega's personal wealth was "at least $200m to $300m" will be hard to prove, according to investigators looking into Noriega's fortune.

Many of the assets cited by the administration as evidence of the general's personal wealth belonged to Panama's Defence Forces or are registered to businessmen close to the general, according to documents emerging from Panamanian government offices in the aftermath of the US invasion.

A case in point, the Herald said, was the State Department allegation that Mr Noriega owned a Boeing 727 aircraft, three Lear jets and three boats.

In reality, officials concede, documents found in government offices in recent weeks suggest that none of those planes and boats may be traceable to Noriega.

"All these properties cited by the US Government exist but were not his," said Mr Mario Rognoni, a former commerce minister with the Noriega regime.

"It's like saying that Camp David belongs to Bush." Camp David is a government-owned presidential retreat near Washington, DC, used by President George Bush and his predecessors in the White House.

Other officials counter that there is widespread evidence of Mr Noriega amassing a significant personal fortune after taking over Panama's defence forces in 1983. US troops claimed they found more than $4m in cash at Mr Noriega's home after the invasion.

Meanwhile, an attorney for MrNoriega said the defence did not intend to rest in its fight to get the ousted dictator out on bond pending his trial on drug-trafficking charges.

"The government is taking a position which precludes the possibility of bond for Gen Noriega at any time in this case," said Mr Steven Kollin, one of several attorneys for the former Panamanian defence force commander.

South Korean President Roh Tae Woo (centre) greets opposition leaders Kim Young Sam (left) and Kim Jong Pil, holding talks in Seoul yesterday on forming a conservative alliance.

Korean opposition parties form alliance with rulers

By Marilyn Robak in Seoul

SOUTH Korea's ruling Democratic Justice Party is joining forces with two conservative opposition parties, the Reunification Democratic Party and the New Democratic Republican Party, in an upheaval in South Korea's political landscape.

This enlarged grouping will hold a majority in parliament, which has been controlled by the opposition since the May 1988 election.

A condition for this re-alignment is a constitutional change from the presidential to the cabinet system of government. This will lessen the power of the president. Debate on the cabinet system will begin next September with implementation expected in April 1992, about the time of the next election.

Those in favour of re-alignment believe the cabinet system will provide greater stability for Korean politics and democracy. Theoretically, it will leave less room for manipulation by the president. It will also give the ruling party the votes it needs to implement its political platform.

Those opposing the move say it has been done in an undemocratic fashion. Describing himself as "really angry," Seoul National University constitutional law professor Ahn Kyong Hwan says Koreans voted for the opposition members in the May 1988 election to keep the ruling party in check. Now, he says, these members are joining the ruling party in hopes of gaining cabinet seats. Early newspaper editorials reflect surprise and suspicion at the sudden announcement.

The move will isolate Kim Dae Jung's Party for Peace and Democracy, the largest opposition party. Mr Kim calls it a "coup" on the democratic system. After carrying a lot of weight over the past year and a half with the aid of the other opposing parties, his party could be reduced to a minor power at best.

President Roh Tae Woo hopes a re-alignment of the parties will break down some of the regional tension. However, Professor Ahn says: "It will isolate PPD voters, who come primarily from Cholla province, an area considered the heart of Korea's democratic movement." It is an area which has largely been ignored economically over the past 100 years.

The PPD also tends to garner support from the poor, farmers and political dissidents. PPD spokesman Nan Kung Jin says some of his party members are threatening to resign and are calling for all members of parliament to follow suit so an election may be held on the issue.

The party plans to call a major "convention" of the people. This convention is expected to take the form of a mass rally with "one or two million" people participating. However with this announcement coming in the coldest time of the year, people may hesitate to attend an outdoor rally.

It is also unclear how much unity there is among the uniting parties. Some members have said they would not take part in such a move and might join the PPD, or form a new party in protest.

Criminal proceedings begin on Bofors payments

By K.K. Sharma in New Delhi

THE initiation of criminal proceedings in the Bofors case yesterday by India's Central Bureau of Investigation shows the determination of Prime Minister V.P. Singh to ensure that anyone who took illegal payments from the Swedish armaments group are brought to book as soon as possible.

Mr Singh has promised that he will not be vindictive but has given an assurance that "the law will take its course". This is part of his pledge to try to end corruption in India.

Mr Singh was Mr Rajiv Gandhi's Minister of Defence in 1987 when the controversy over alleged payoffs by Bofors had already created a political storm in India and shaken the Government. He resigned soon afterwards and became one of Mr Gandhi's main critics. Like many others, he used the Bofors deal repeatedly to attack Mr Gandhi.

Criminal proceedings have been initiated against 14 people and companies, including Mr Win Chadha, a former agent of Bofors who recently left India, and Mr G.P. Hinduja, an Indian businessman now in London. Mr Hinduja last night strongly denied the allegation.

Mr R. Shekhar, head of the CBI, which is investigating the case, said yesterday that "public servants", which includes politicians and civil servants, would be named as evidence against them was collected.

The Bofors deal relates to the Rs14.37bn (£513m) contract awarded to Bofors when Mr Gandhi was Prime Minister and Minister of Defence in March 1986, for the supply of 410 155mm field howitzers. Government policy then was that no middle-man should be involved in defence deals.

Less than a year after the contract was awarded, allegations were made in Indian newspapers and in Parliament that Bofors had, in fact, paid "commissions" amounting to more than Rs640m. This was denied by both Bofors and the Government at the time.

Since then, a series of revelations made in India and Sweden has forced the Government to admit that payments had indeed been made.

Amid further charges that the payments went to bank accounts in Switzerland operated for Indians and Indian companies registered abroad, Mr Gandhi offered to have the entire matter investigated by a parliamentary committee.

Boycotted by the opposition, this committee confessed its inability "to reach any conclusion in regard to the identity of the recipients" of what Bofors said were "winding-up costs" to its agents and what others alleged were huge payoffs.

A dissenting note to the parliamentary committee's report said that Mr Gandhi had shown an "extraordinary interest" in favour of the Bofors deal, although it acknowledged that direct involvement by him was never established.

In the course of the storm, it was revealed that Mr Gandhi had been under pressure from his Minister of Defence and chief of the Indian army to cancel the deal with Bofors in an attempt to force the Swedish company to reveal the names of the recipients of "commissions". Mr Gandhi refused to do this, on the ground that India's security would be affected.

So far, Bofors has pleaded commercial confidentiality as the ground for not revealing the names of people to whom payments were made and Swiss banks have maintained secrecy.

The new Indian Government has said it will not give Bofors any more contracts unless it reveals the names. And the registration of the criminal case yesterday paves for the way for making a fresh approach to the banks.

Decision means more embarrassment in Sweden

By Robert Taylor in Stockholm

THE latest turn of events in the Bofors scandal means further embarrassment to the company at a time when it is facing a difficult future as an arms exporter. The newly elected Indian Government has already decided not to press ahead with the second stage of the Bofors deal that would have involved making the howitzer under licence in India itself.

The 1986 deal was one of the biggest ever won by a Swedish company. At the time Mr Anders Carlberg, managing director of Nobel Industries, the Bofors parent company, said the Swedish Government had provided "the fullest moral support" in the intense international competition to secure the contract from the Indians.

The late prime minister Olof Palme played a crucial role in lobbying for the Bofors deal through his close friendship with Mr Rajiv Gandhi, then Indian prime minister. The two men met twice to discuss the matter.

The order came as a big boost to Bofors and provided much-needed work at a time when it faced the prospect of heavy cuts.

However, even in 1986 there was criticism in Sweden about the deal, particularly from the country's Peace and Arbitration Association, which said it was "incompatible with a credible Swedish peace policy".

But Bofors has relied heavily on export orders for 15 years and it has done business with India since that country's independence in 1947.

The company has already been receiving adverse publicity for its involvement in the smuggling of anti-aircraft missiles, explosives and ammunition to the Middle East, through companies indirectly controlled by the Singapore Government, which led to the conviction of former Bofors president Mr Martin Ardbo and two other executives.

In January 1988 an official Indian investigation into the payment of alleged bribes by Bofors in achieving the Indian contract was called off for insufficient evidence after the Swiss banking authorities had refused to provide the Swedish police with details of three secret bank accounts in Switzerland said to be related to the affair.

The company said it had paid SKr319m (£31m) to consultancy companies in India but denied that these were bribes.

Bofors is part of the conglomerate Nobel Industries Group controlled by the Swedish financier Mr Erik Penser.

It develops, manufactures and markets mainly guns, ammunition and missiles at home and abroad. In the last full financial year 1988 it had invoiced sales totalling SKr5.347bn and made a profit (after financial income and expenses) of SKr270m.

ANC confronted by a need for changes in strategy

Nicholas Woodsworth in Lusaka on the African National Congress in the 1990s

MR Walter Sisulu was ushered through the doors of the hall. After 27 years in South African prisons, the veteran leader seemed little upset that his reunion with exiled members of the African National Congress in the Zambian capital of Lusaka had been delayed by more than an hour.

Not so the packed hall of militants. Decked out in ANC T-shirts and black berets, they showed youthful impatience with rhythmic clapping, dance, and war-like singing that grew louder by the minute.

By the time Mr Sisulu, acting ANC head Alfred Nzo, and other members of the organisation's National Executive Committee were seated, the crowd could not be silenced, despite repeated attempts by NEC officials. In the end it was one man who succeeded in getting the ceremony back on track; with a few short words and gestures, Mr Chris Hani, chief of Umkhonto we Sizwe – the military wing of the ANC – had the crowd quiet.

The incident was a minor one but it symbolised one of the vital issues the ANC will have to deal with if it is to pursue coherent and effective strategies. While moderate elements in the leadership may wish to guide the anti-apartheid movement through a peaceful process of negotiation, younger, less patient party militants may be tempted to identify with less moderate leaders and solutions.

The leadership meeting comes at a time when it is becoming increasingly clear to ANC moderates that there is little alternative to a negotiated settlement with Pretoria.

"We must begin to prepare our negotiating positions," said Mr Nzo, who believes that the expected release of Mr Nelson Mandela will be accompanied by pre-emptive initiatives by Pretoria on such issues as the state of emergency, the banned status of the ANC and the return of exiled leaders.

"If we do not prepare, we will surrender the initiative to the regime and allow it to impose its own solution on us." He did not mention the additional risk of losing the initiative to the more radical Pan Africanist Congress or the ethnic Zulu movement Inkhata.

In a pre-negotiating period when bargaining positions remain highly sensitive, the ANC is not anxious to highlight differences of opinion.

Leaders declined, for example, to discuss differences over the pace at which the ANC is moving towards talks. They refused to discuss the possibility that Mr Mandela has been negotiating agreements on behalf of the ANC with Pretoria. Nor would they admit what many observers suspected, that Mr Sisulu came to Lusaka with a message from Mr Mandela requesting all elements of the ANC in exile to toe a negotiation line.

However, the leadership did say last week that the ANC maintained that it was seeking a "mutual suspension of hostilities". But it also said that a major objective remains the strengthening of its military wing inside South Africa, which was admitted to lack effectiveness.

If, however, a moderate leadership moves towards negotiation, thousands of trained fighters waiting in camps outside South Africa will no longer have a *raison d'être*. And inside the country there are many more township youths whose lives have been wholly moulded by confrontation.

The adoption of a negotiating stance may also require a thorough-going re-organisation of ANC structures. To bargain from a position of strength, the ANC must have strong support from all sections of the black population. While the ANC sees their strengthening as imperative, it is also faced with the larger question of eventual re-organisation as a legitimate, rather than underground body.

Also the ANC's traditional backers abroad – in the "front-line" region, in eastern Europe, and in the Soviet Union – have all withdrawn support for radical ANC solutions. At the same time there is the fear that the West, seeing an improvement in relations in South Africa, will drop whatever pressure it might otherwise exert on Pretoria.

The ANC is now waiting to see what initiatives, among them the hoped-for release of Mr Mandela, President F.W. de Klerk might take at the opening of the South African parliament on February 2. The need of the ANC itself to take initiatives to meet a changing situation prompts ANC-watchers in Lusaka to predict that the next few months will see considerable activity in the preparatory stages of negotiation.

They caution, however, that the time could thereafter come when a bottom-line offer from Pretoria - almost certainly not the universal franchise settlement sought by the ANC - will lead to a negotiating impasse. Then, observers say, more radical elements in the ANC may come back into play.

Aoun bans newspapers from enclave

By Lara Marlowe in Beirut

TWO of Lebanon's leading newspapers were banned from the Christian enclave yesterday after defying General Michel Aoun's decree banning the media from describing Mr Elias Hrawi as president.

Journalists at the independent an-Nahar and L'Orient-Le Jour said troops loyal to Gen Aoun turned back vans carrying copies of both papers at the Museum Crossing on the Green Line dividing Beirut.

Since Gen Aoun launched his "war of liberation" against Syrian troops in Lebanon in March 1989, the Christian enclave over which he presides has been subjected to shortages of fuel, bread and money. Now Gen Aoun's censorship of the press has created a severe information shortage.

Mr Georges Hajj, a Christian journalist who criticised Gen Aoun, was dragged from his home in East Beirut and held for eight hours on Saturday. At the same time, more than 1,000 people marched across West Beirut to protest against the restrictions.

Gen Aoun forbade Lebanese media from calling President Elias Hrawi or Prime Minister Selim Hoss by their titles last week. Only two of five east Beirut newspapers are still being published. Six newspapers published in West Beirut have been banned from what Gen Aoun refers to as Free Lebanon.

Two radio stations, a weekly magazine and Lebanon's most popular television channel – all run by the Christian Phalange militia – as well as the an-Nahar daily newspaper have suspended news coverage in a silent protest against Gen Aoun. Gen Aoun has shut down three newspapers which defied his orders and pressed criminal charges against one of their editors, Mr Charles Ayoub of ad-Diyar newspaper.

He has also threatened disciplinary action against Mr Fouad Turk, the Lebanese ambassador to Paris, for asking French authorities to end a sit-in at the Lebanese embassy by Gen Aoun's supporters.

Palestinian leader Faisal Husseini leaves jail in Jerusalem after three days of questioning.

Israelis free Palestinian leader

By Hugh Carnegy in Jerusalem

THE Israeli authorities yesterday released Mr Faisal Husseini, the Palestinian leader arrested on Friday for questioning about his alleged role in funding and organising actions in the 26-month Arab uprising in the occupied territories.

At the same time, the Justice Ministry said the Attorney-General had ordered a criminal investigation into links between Mr Ezer Weizman, the Science Minister, and the Palestine Liberation Organisation. Three weeks ago, Mr Weizman was demoted from the inner cabinet by Mr Yitzhak Shamir, the Prime Minister, for talking to the PLO about efforts to establish an Israeli-Palestinian peace dialogue.

The moves against both men underlined the gulf that remains to be crossed before such a dialogue can take place. Mr Husseini, the most prominent pro-PLO figure in the occupied territories, is regarded by the authorities as the chief leader of the *intifada* (uprising).

But he is also seen by the US, most foreign governments and many on the Israeli left as a vital participant in any peace negotiations. Washington strongly criticised his arrest.

On his release, Mr Husseini said his detention was a political move by Mr Shamir to keep him out of any peace moves.

Lara Marlowe adds from Beirut: Abu Nidal's "Fatah Revolutionary Council" (FRC) yesterday claimed it carried out the commando raid which killed an Israeli army colonel in southern Lebanon at the weekend.

The FRC, considered the most extreme of all Palestinian groups, said it had staged the Sunday evening attack on a unit of the "South Lebanon Army" (SLA) in retaliation for Israeli air raids against Palestinian and Hizbollah positions in Lebanon on Friday.

US may soften on boat people

THE US is ready to change its stand against the forcible repatriation of Vietnamese boat people from Hong Kong at a two-day meeting of the international steering committee on Indochinese refugees which opens in Geneva today, US officials indicated yesterday, William Dullforce writes from Geneva.

British officials remained sceptical about a possible US compromise. Washington would have to accept the principle of enforced repatriation before there could be any discussion of a moratorium on deportations for a given period, they said. At the last meeting of the steering committee in October the US strongly reiterated its objection to any form of mandatory repatriation.

According to recent reports from Washington the US will propose a one-year halt to the forcible return of boat people not regarded as political refugees, with the implication that mandatory repatriation could be envisaged if no other alternative were found.

But British officials said such a formula would not remove the concern that there could be a new wave of boat people. Washington is also expected to propose improvements to the methods used in Hong Kong to screen political refugees from those fleeing harsh economic conditions and better monitoring of the treatment in Vietnam of the boat people returned there.

The steering committee, which has a core of 15 countries but usually attracts between 25 and 30 participants, supervises the plan of action to solve the plight of 165,000 Indochinese refugees which was adopted last June by a 76-nation international conference organised by the UN High Commissioner for Refugees.

China seeks investment from Japan

THE first senior Chinese leader to visit Japan since the military crackdown on pro-democracy demonstrations last June appealed to Japanese businessmen yesterday to invest more in his country, Reuter reports from Tokyo.

Zou Jiahua, chairman of the State Planning Commission, assured more than 300 businessmen in Tokyo that China's reform and open-door policies would not change.

He said the country was stable and that its cheap labour and resources offered great potential.

"Our lifting of martial law on January 11 was evidence of stability," he said. "Certain difficulties we are having in the economy are in the process of being overcome."

Lifting martial law, in force in Peking since May 20, was set as a precondition by the West to normalising ties. Most western nations froze political ties and cheap loans to protest against the June crackdown.

China's share of total investment has fallen as Japanese capital has poured into the US, Europe and south-east Asia.

Official figures showed Japanese investment in China accounted for just 1.1 per cent of its total overseas investment at the end of last March, a third of its investment in Hong Kong and less than a quarter of that in Indonesia.

He said China wanted foreign investment in agriculture, energy, transport and production of raw materials.

Consumer products and processing, where quick profits are to be made, were being discouraged, he said.

Zou later held talks with Minister of International Trade and Industry Hikaru Matsunara, and is due to meet Prime Minister Toshiki Kaifu and Foreign Minister Taro Nakayama as well as business leaders today.

● Japan's ruling and opposition parties yesterday agreed to dissolve the lower house of parliament tomorrow ahead of general elections set for February 18, party spokesmen said, Reuter reports from Tokyo.

Continuing reforms seen as vital to attract investment to Jordan

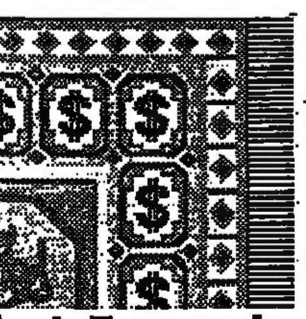
The popular mandate it was given last year makes it easier for the Government to pursue painful economic policies, writes **Michael Field**

THE JORDANIAN economy is not a difficult one to run. It does not have massive, intractable problems such as burden Egypt, nor does reform face major political obstacles as it does in Algeria.

Jordan is a small country – its population is only 3m – and its economy responds quickly to policy initiatives. Little more than a year after the Government was forced to introduce a reform package, improvements are already visible.

The crisis that led to the reforms of November 1988 was caused by a long-term structural deterioration. In the early 1980s, remittance money and aid flowing into the country caused everyone's standard of living to rise to a point where Amman had some of the glossy look of a Gulf capital. Imports, in particular of cars and luxury goods, soared, and exports from the country's farms and fledgling industries fell.

The Government's spending kept pace with the private sector boom. As the flow of aid was reduced after the oil-price fall of 1986, it increased its borrowings. By October 1988, when it went into default on some loans, its debts had reached some $8bn, of which all bar $1bn was owed to state lenders and nearly half had been incurred for military purposes.

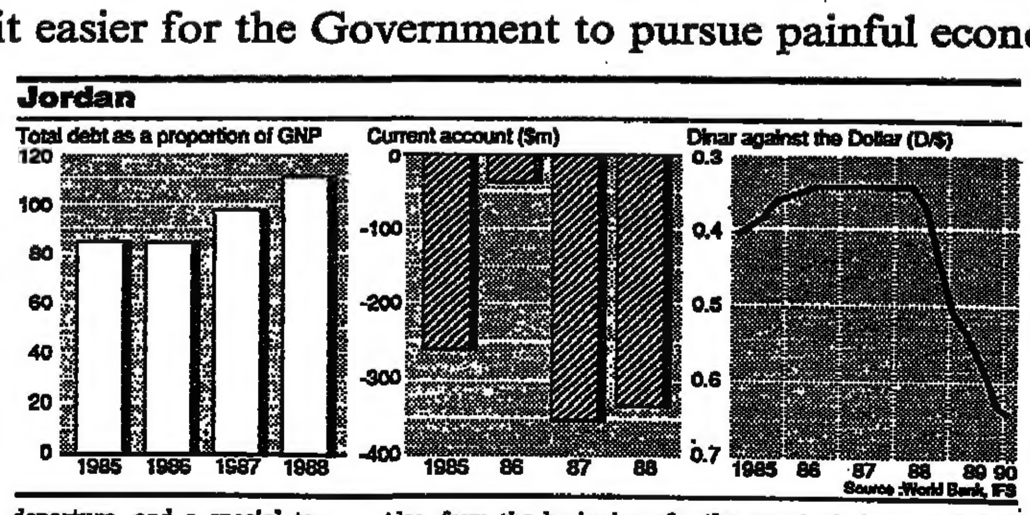


Arab Economic Restructuring

In March last year the Government agreed a rescheduling of its debts with the International Monetary Fund, under which it is intending to repay about $100m of principal, as well as interest each year, and rely on the growth of the economy gradually to decrease the debt as a proportion of gross domestic product.

The reforms adopted have involved a floating of the dinar, and a reduction of the Government's budget deficit in the first six months of last year from JD111m (£100m) to JD70m. The intention is to cut the deficit from 20 per cent of GDP in 1989 to only 4 or 5 per cent in 1994.

The major savings of the Government have been achieved by its cutting capital expenditure and reforming the tax system. The number of tax-deductible items allowed to people earning more than JD10,000 a year has been reduced. Stamp duties have been doubled, a consumption tax has been introduced on such items as fizzy drinks. Jordanians, who, like the Gulf Arabs, have become habitual travellers, have been obliged to pay an airport tax of JD25 per departure, and a special tax has been imposed on people employing foreign servants.



Source: World Bank, IFS

Unusually in an IMF rescheduling package, the Government is being allowed to maintain small subsidies it gives its people on meat and wheat products.

A further major reform has been the complete deregulation of bank interest rates, from the beginning of January this year.

Also, from the beginning of January the Government has lifted the abolition on imports of luxury goods, including televisions, cars, videos and refrigerators, which it imposed in November 1988. The reason for this is mainly the IMF's preference for free trade, though there has also been an improvement already in Jordan's balance of trade. In the first six months of last year, the country's imports fell 25 per cent in dollar terms and its exports increased by 12 per cent. Part of this increase is attributed to the upturn being enjoyed by the big phosphate and potash fertiliser operations.

More important for the future is that small businessmen, the owners of factories making electrical fittings, soap, sheet metal goods and medical supplies, as well as the bigger and more commercial farmers, should feel sufficiently confident to restart those operations that have been closed and invest time and effort in developing export markets, in particular in the Arabian Peninsula.

Small industrialists have been demoralised in recent years. They built over-large plants in the boom years and never learnt to run them or their marketing operations properly.

Now that wages have fallen and the devaluation has made them more competitive, it should be economic for owners to re-open these factories and invest in new ones, but to date, although there have been one or two instances of Far Eastern money going into textiles joint ventures, Jordanian industrialists have remained cautious.

In both the Government and among businessmen, however, the feeling is that, if the present economic policies are maintained, investment will follow.

It is vital for Jordan's prosperity and stability that this prediction comes true, because the country's population is increasing fast. It needs to create 50,000 new jobs every year. Unemployment, as well as rising prices, was a cause of the riots in the south of the country, normally the most loyal area of the Kingdom, in April last year.

In November last year, parliamentary elections were held for the first time since 1967. The new Government, which contained a number of supports of the Islamic movement, has already lifted martial law, which had been in force for 22 years. Members of the intelligentsia worry about whether it will introduce Islamic rules into such matters as the criminal law and women's rights, though, in practice, the Islamic deputies have been notably moderate.

From an economic point of view, the strength of the new Government is that it has a popular mandate. This makes it easier for it to continue painful economic policies.

Finns sign agreement for Soviet electricity

By Enrique Tessieri in Helsinki

TEOLLISUUDEN Voimansiirto (TVS), a power transmission company belonging to three privately-owned utility companies and Nokia, Finland's largest quoted group, has signed a three-year accord with Technopromexport of the Soviet Union to import 100MW of electricity a year at a cost of FM250m (£38m).

The agreement to import the electricity from the Soviet Union is seen by analysts as an important step in de-monopolising the Finnish electricity imports market, which has been exclusively run by Imatran Voima (IVO), a state-owned utility group.

Although TVS got permission from the Licence Permits Office in autumn 1988 to import Soviet electricity jointly with IVO, talks have taken a long time because of electricity shortages within the Soviet Union.

TVS said it expected to raise Soviet electricity imports to 300MW a year from 1993 until 2004. In 1988, IVO signed a 10-year (1990-2000) electricity import accord with the Soviet Union, under which it would import 600MW of Soviet electricity a year until 1993, raising it to 900MW from then on.

US-Korea challenge to Japan urged

By Nancy Dunne in Washington

A LEADING member of South Korea's largest opposition party is seeking to launch a series of US-Korean joint ventures to challenge the Japanese in European markets.

Congressman Lim Hoon Won, vice-chairman of the powerful finance committee of South Korea's National Assembly, was in Washington last week to urge US "patience" in settling a US complaint over access to Korea's beef market.

He brought with him his own proposal to substitute US exports of live calves for beef sales, to allow Korean farmers to develop a competitive leather industry.

Mr Won, a leader of the Party for Peace and Democracy and a businessman, said he would soon send a fact-finding team representing Korean private-sector investors, to Norfolk, Virginia.

There, he hopes to establish joint ventures in seven industries in a free trade zone. Plans were under way to import raw materials, such as wood, from South America, and to pay for it in barter deals with manufactured goods.

The joint ventures will be in shoes, plywood, electronics, furniture, pharmaceuticals, food processing, and leather and eelskin products. Mr Won said the exports, built through "Korean methods", would be targeted towards the EC, where he already had customers. He said he had been pressed to abandon his plans by Japanese businessmen, who fear a US-Korean partnership.

In talks with congressmen and senators, he said misunderstandings have arisen between the US and Korea because the US has confined its dealings to the ruling party and large industry. Vast opportunities existed for joint ventures with small and medium-size businesses, but Korean private-sector leaders have been prevented by past governments from making contacts.

He maintained South Korea could no longer plead for special trade concessions on grounds of balance-of-payment problems because as at the end of last year, there "was no deficit".

There was considerable US pressure to force an opening in the beef market, but he asked for time so that South Korean farmers could make the necessary adjustments. "It is impossible to implement these just now," he said.

Renault in deal with Czech truck manufacturer

RENAULT has signed a draft agreement to provide technical aid to the truck-maker Avia of Czechoslovakia, the company said yesterday, Reuter reports from Paris.

Renault's truck unit, Renault Véhicules Industriels (RVI), will help Avia develop vehicles in the 3.5-5 tonne range, RVI said.

The vehicles are intended to replace trucks built under an earlier agreement between Avia and RVI.

Under the three-year agreement, RVI will supply technical "know-how" in preparing prototypes and advise Avia on tooling up its production facility.

Production of the new trucks is due to begin in 1992, with output reaching 20,000 vehicles a year.

Avia is expected to invest around FFr500m (£52m) in the new range of trucks.

No details of RVI's financial involvement were given, but the company expected the agreement to lead to significant sales of French equipment.

Last week, Renault announced a draft agreement to begin assembly of its Trafic vans in Czechoslovakia. Production could begin at the end of 1992, with output rising from 15,000 vehicles a year to 30,000.

Trade-in-services draft accord ready in July

THE DRAFT of an international pact to liberalise trade in services will be ready in the second half of July, if negotiators stick to the ambitious timetable they have agreed in Geneva, William Dullforce reports from Geneva.

Understandings on the services to be covered by the accord and on the mechanics of liberalisation would be reached by the end of March.

In May, governments would indicate how far they are prepared to open their markets in a first step. The US and the European Community are both keen to meet this deadline for initial commitments. By July 20, negotiators plan to send a framework accord on a General Agreement on Trade in Services to legal experts for final drafting.

Lowering barriers to the fast-expanding \$560bn (£350bn)-a-year world trade in services, including banking, insurance, telecommunications, transport and tourism, is a key aim of the four-year Uruguay Round of trade talks, now in its final year.

At the end of 1988, negotiators disappointed hopes by producing a 15-page draft text bespattered with some 170 brackets marking items over which they still differed.

Now, as the first of the 15 groups negotiating under the Uruguay Round to resume work after the New Year, they have scheduled five week-long meetings before the middle of July, in which they hope to make up ground. An important aspect is that the timetable and its contents have been accepted by the developing countries, including Brazil and India, which have so far posed the main opposition to a services agreement.

But, under the negotiating approach adopted, the first obstacles to be tackled will include those still dividing the big trading powers. Washington, for instance, wants countries from the outset to accept the obligations of the agreement for all of the 100 or more services sectors defined, although governments would be allowed to make specific exceptions when joining.

Brussels believes governments should start by determining the services sectors initially to be excluded but with understandings that these would be progressively brought into conformity with internationally agreed rules, and that access to markets could be opened by exchange of concessions. The US considers that its approach would provide faster liberalisation.

Under the six-month negotiating plan, decisions on the principles and rules to be applied in the pact and on how to meet Third World development needs in the services sector would be tackled last.

Investment follows US-Canada pact

By Bernard Simon in Toronto

THE US-Canada free trade pact (FTA) is starting to have a deep impact on the structure of Canadian business, although in force for only a year.

According to several studies published in the past few weeks, the agreement is prodding Canadian companies to improve efficiency and to look beyond their domestic market.

It is attracting foreign investment to Canada, has contributed to a spate of mergers and acquisitions, and will help cushion the present slowdown of Canadian business activity.

The studies – one by Royal Bank of Canada, another by Prudential-Bache Securities and a third commissioned by the government from the Ottawa economic consultancy Informetrica – all stress that any conclusions about the impact of the pact must still be tentative.

Other factors, notably the strong Canadian dollar and the worldwide globalisation of business, have also influenced Canadian business decisions. But from a practical point of view, the FTA, implemented on January 1 1989, has so far brought few changes.

Two customs duty cuts, one when the FTA took effect and the other a year later, have reduced tariffs by between 20 and 40 per cent on the one-third of two-way trade not duty-free before the FTA came into force. Cuts on another C\$6bn (£3.1bn) of trade (out of last year's total C\$200bn) will be accelerated on April 1.

Monitoring of US investments in Canada has been relaxed. Business travel has been made easier, mark-ups on California wine have fallen, and a disputes settlement panel has started work.

A working group has been set up to deal with subsidies, and anti-dumping and countervailing duties – issues not resolved in the original FTA talks. One senior government official says little progress on these matters is likely until the Uruguay round of trade talks is completed.

Critics have blamed the pact for a spate of plant closures in Canada over the past year. The Canadian Labour Congress says 72,000 jobs have been lost. But like the agreement's supporters, the critics acknowledge that other forces have been at work. One reason for many of the closures is the disappearance from Canada of US "branch plants" – subsidiaries whose products were sheltered behind tariff barriers.

The Pru-Bache study observes that, as North American companies rationalise their operations, intra-company shipments between the US and Canada appear to be speeding up faster than trade between different companies.

Pru-Bache says that because of the FTA, "Canada's corporate sector is becoming more competitive." Royal Bank gives the FTA some credit for the recent strength of non-residential investment and for accelerated product development in Canada.

It notes that companies have been encouraged to redeploy resources, "to upgrade, streamline or shut down operations uneconomic in the absence of protectionist measures." Royal Bank suggests Canadian industry is moving to specialisation in high-quality, low-volume items for export worldwide.

Norway gets a lift from natural gas prospects

Karen Fossli on hopes of a big rise in trade by the year 2005

NORWAY is optimistic that it will secure contracts enough almost to double its trade of natural gas from about 26bn cubic metres in 1990 to more than 40bcm a year by 2005.

This optimism stems from negotiations with several potential buyers in Europe and the US, which could see big contracts signed this year. In addition, investment of some NKr10bn (£923m) is to be made in a third submarine pipeline to Europe to transport increasing quantities of gas export.

As Norway's crude oil production approaches its peak of just under 2m barrels a day and begins to decline in the 1990s, it is crucial for the country to obtain new gas sales contracts to maintain offshore field development activity and annual investments of about NKr25bn.

At the current rate of natural gas production Norway has sufficient gas reserves to meet West European demand for the next 100 years.

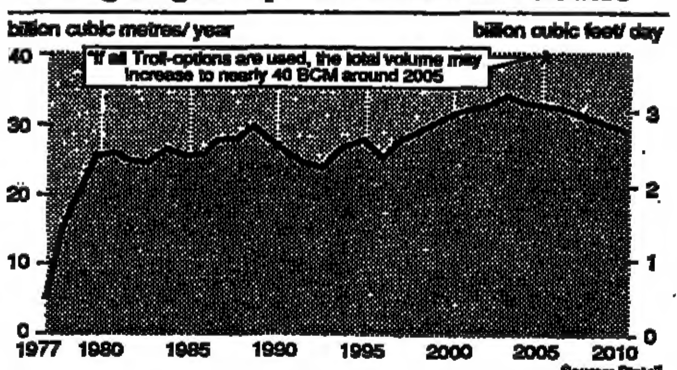
At the turn of the year, Norway expanded a gas sales contract with West Germany to supply between 80bcm and 100bcm of additional gas in a deal which could be worth as much as NKr70bn. Ruhrgas and Thyssengas, two West German gas companies, have exercised two of three purchase options calling for a boost in annual supplies of between 4bcm and 5bcm from 1993 for 20 years.

Norway's share of the West German market for natural gas, its largest, was increased by the purchase options to 25 per cent from 20 per cent.

However, the contract price for natural gas is indexed to world crude oil prices which would have to be sustained at high levels of, say, \$20 a barrel, for a healthly rate of return on investment. Another problem is transport tariffs for Norway's share of gas from the Gullfaks and Heimdal fields through the Statpipe transport system.

The state – with Statoil at the helm – is paying more than NKr1bn a year for these transport costs, resulting in an annual transfer of about NKr500m to the owners of the Statpipe gas pipeline. This is because of low gas prices and high tariffs for using the pipeline, in which the state is not a partner.

Norwegian gas exports contracted volumes



Source: Statoil

When the pipeline was built, Norway's politicians opted not to have the state take a stake in the pipeline, considering it too risky. They have since realised the benefit of a balanced investment portfolio to cope with fluctuating gas prices and now have a stake in a new 806km, NKr18bn Zeepipe pipeline under development to service deliveries from the Sleipner and Troll fields.

Zeepipe has a design transport capacity of 10bcm a year with scope for expansion to 15bcm a year. However, if Norway succeeds in signing new deals with European buyers a third pipeline will have to be built.

In 1986, Norway signed a gas supply contract worth \$60bn with a consortium of European buyers including West Germany, France, the Netherlands and Belgium, which have for the last 10 years imported gas from Norway. The 1986 deal calls for a 20-year supply from the Sleipner and Troll fields in which West Germany contracted 8.3bcm a year; France took 6bcm a year, while the Netherlands and Belgium each contracted 2bcm a year.

Purchase options were built-in to these contracts though France declined to exercise a purchase option by last December. The Netherlands and Belgium may exercise options which could double their deliveries and bring total Norwegian supply to the continent by 2005 up to 40bcm. The deadline to exercise these options is 1991. West Germany has a third purchase option which must be exercised by July 1995.

In 1988, Austria and Spain signed on to take respectively 1.1bcm and 1.7bcm annually from 1996 but last year Spain boosted its offtake to 2bcm from 1993.

In addition, Norway this year believes it can secure a new deal with Italy's Snam. This contract is likely to call for a delivery quantity of 5bcm a year over a period of 20 years from 1995 or 1996.

A deal, if signed, would represent another significant breakthrough for Norway for the Italian market for natural gas has the strongest growth potential in Europe. This growth is estimated to be in the range of 2bcm a year.

Italy's heavy industry is converting power generation from coal and fuel oil to gas because of environmental considerations, and in 1988 it utilised energy supply equivalent to 40bcm of gas.

There is also Norwegian optimism that a gas sales contract will this year be signed with the US, another new market.

UK NEWS

Gummer threatens action over beef imports ban

By Tim Dickson in Brussels

MR JOHN GUMMER, the UK's Agriculture Minister, yesterday challenged West Germany to lift its controversial ban on British beef imports or face legal action in the European Court.

His comments gave a new twist to the increasingly bitter political row over "mad cow disease" which is expected to come to a head in Brussels today when EC Farm Ministers debate a delicate compromise put forward by the European Commission.

A clearly angry Mr Gummer - rankled by the Germans' refusal to accept the recent assurances of scientific experts - told journalists on his arrival yesterday that West Germany does "not have a good record on food issues" and that the Bonn Government "has been taken to the European Court on a number of occasions when they have used the food issue to prevent trade".

"I hope they accept that they are acting illegally", he added, "but it is an election year for them so it is difficult to know what they will do."

On the table today will be a report prepared by EC food experts which states that "in the light of present knowledge, meat derived from bovine animals in countries in which BSE (bovine spongiform encephalopathy) occurs is not considered a danger to human health."


John Gummer

Mr Gummer will use the report to underline his claims that West Germany is using the issue as an excuse to boost its own meat trade.

"I do believe that if the Community is to function properly, we all have to accept the same rules," he said.

"That means that if food is safe it must be allowed to be traded. To get £10m in trade for your own farmers at the expense of farmers elsewhere is unacceptable."

Mr Gummer was referring to the amount the ban had cost the British meat processing industry, although annual beef trade with Germany is in excess of £100m.

So far there have been no cases of humans suffering from the disease, an illness of the nervous system that scientists believe is a strain of the sheep disease "scrapies" and which had killed more than 9,400 cows in the UK.

The row over BSE has been going on since early November. Bonn's initial ban on all UK beef exports was amended in mid-December to permit only imports of boneless beef with all nervous tissues removed.

This compares with the Commission's decision of July 1988 to confine exports of live cattle from Britain to animals born after that date - a restriction with which the UK has complied.

The compromise at today's meeting goes further than this and will ban the export of all live cattle over six months - a course of action which Mr Gummer says is excessive and on which the UK has had support from Ireland and France.

Data reveal monthly drop in productivity and increase in manufacturers' labour costs

Fears of recession as unexpected decline hits equities

By Rachel Johnson and John Gapper

EVIDENCE of an unexpected decline in British manufacturing production helped to drive equities lower yesterday amid fears that high interest rates could force a recession.

Central Statistical Office data revealed a drop in productivity and an increase in manufacturers' labour costs, adding to concern about the wave of double-digit pay claims.

The CSO said manufacturing output declined by a seasonally-adjusted 0.7 per cent in November, after being virtually stagnant since the beginning of 1989. In the three months to November, manufacturing output was 0.1 per cent down on the previous three months, but 2.5 per cent higher than the same period in 1988, the CSO said.

November's drop in production was accompanied by signs that wage rises have overtaken productivity growth. In the three months to November 1989, wages and salaries per unit of manufacturing output grew 5.6 per cent over the previous year, while productivity rose only 2.9 per cent.

The figures contributed to a sharp fall in share prices. The City had been expecting unchanged manufacturing output.

The FT-SE index dropped 37.9 points to close at 2,297.1. Mr Gordon Brown, the opposition Labour spokesman on Trade and Industry, urged budget measures to help the supply-side of the economy and lower interest rates.

In London, analysts said the figures showed the UK was facing a mix of stagnant economic activity and rising inflation.

"We have evidence of a manufacturing sector heading into recession while unit wage costs are rising," said Mr Neil MacKinnon, chief economist at Yamaichi International, the Japanese securities house. High interest rates were biting into UK industry while failing to moderate pay claims.

Mr John Banham, however, Director General of the Confederation of British Industry, the employers' organisation, said CBI surveys showed companies were continuing to invest in new plant and equipment. He believed productivity would grow by 6 to 7 per cent in the coming year.

He said pay rises should be tied to productivity, and regretted the return of the "going rate" mentality.

"Ford is said to be setting a going rate of over 10 per cent which will be followed slavishly, lemming-like, by others," he said.

"There can only be one going rate. It is for unit labour costs. Pay must be related more directly to performance," he said.

Britain risks European row over power station plans

By David Thomas, Resources Editor

THE BRITISH Government could spark a row with European countries if it allows the electricity supply industry to drop plans for completion of a programme to cut acid rain pollution from Britain's power stations.

The move is likely to provoke criticism in Europe since the £2bn investment programme was seen as the main way to cut emissions of sulphur dioxide from British power stations.

Such emissions are widely held to be responsible for acid rain pollution falling in Scandinavia and Continental Europe.

National Power and PowerGen, the two generating companies to be privatised by the Government, have told the Department of Energy they will be more difficult to sell if they are committed to completing the investment programme by their privatisation prospectuses.

"It's a big item for our prospectus. We want to have the freedom to remain flexible," one of the generators said yesterday.

The Energy Department appears to be sympathetic to this argument, but the Department of Environment is understood to be worried about the impact on other European countries.

European Community Environment Ministers agreed in 1988 to cut by 60 per cent sulphur emissions from power stations and a range of other industrial plants by the year 2003.

Following that agreement, Britain's electricity supply industry said it would spend £2bn installing sulphur-scrubbing equipment in 12,000 megawatts (MW) of coal-fired capacity.

This equipment, however, known as flue gas desulphurisers, has so far been fitted only at the 4,000MW Drax station in North Yorkshire at a cost of about £600m. Drax will be owned by National Power.

PowerGen is likely to fit the equipment to two of its power stations, the first of which will probably be Ratcliffe in Nottinghamshire, central England.

But the generators no longer believe the full 12,000MW programme is necessary. They say the EC's programme for sulphur dioxide reduction can be achieved by other methods.

The generators have told the Government that in the 1990s they will import more low sulphur coal and build more small gas-burning stations than had previously been foreseen.

The generators are not objecting a commitment to meet the EC's sulphur reduction target being written into their prospectuses, together with tough penalties if they fail to meet the target, but they want to avoid specific commitments on how they will fulfil this target.

Training needed to raise skills across Europe in the 1990s

By John Gapper, Labour Editor

RAPID growth of population in the developing world would ensure a ready supply of cheap labour in Europe, Mr Michael Howard, Britain's Employment Secretary, said yesterday.

Addressing a Financial Times conference in London on European employment patterns, Mr Howard said: "There will be no shortage of people able and anxious to work, but relatively poorly educated and often hardly trained."

In contrast, the population of Western Europe would increase by only 2 per cent by 2010. This meant that the European workforce had to be one which could match the standards of the best in quality, innovation, customer care, flexibility and adaptability.

He said there had to be four objectives for Britain's employment policy. The first was that it should build and sustain a skilled workforce. "The 1990s will be the skills decade. We must do everything we can to make the skills of our people world class," he said.

The other objectives were that any person should have access to a job vacancy; that every employee should have the opportunity to secure a financial stake in the success of his or her enterprise; and that the level of wages should respond to the competitive needs of companies.

FT CONFERENCE
CREATING A EURO-WORKFORCE IN THE 90s

The principal responsibility for training rested with employers, who would be the first to suffer the consequences of failing to treat investment in training in the same way as investment in new plant or product development. This message was getting across, he said.

Employee involvement had become one of the success stories of British business compared to other European countries. One in ten employees now held shares in the company for which he or she worked. By the year 2000, every employee should be involved in his or her company.

Mr John Banham, director-general of the Confederation of British Industry, said Britain could not "muddle through the 1990s with a low-skill, high expectation economy." In India, world class software engineers were earning £100 a week and being employed by Californian companies.

The key to competing lay in investment in productive capacity. Britain also had to develop every worker, build world-class management, plan a response to demographic change and manage political expectations by exposing the "dangerous delusions of the Social Charter."

To raise skills, a new training market was needed in which individuals could make informed choices about the development they needed. Britain had tried other methods of raising skills including compulsion and "Soviet-style manpower planning," and they had all failed.

Mr Banham said the notion of a "going rate" in pay rises seemed to be returning. "The recent discussion of pay awards has a depressingly familiar ring. Ford is said to be setting a "going rate" of over 10 per cent which will be followed slavishly, lemming-like by others," he said.

The European Commission had repeatedly tried to impose central regulation of employment conditions, but it was competition rather than legislation that created wealth and jobs.

Mr Craig Dinsell, vice-president in charge of human resources for American Express Europe, said several attributes were needed in managers operating across borders. They included leadership skills, ability to cope with change, broad knowledge of cultures, and willingness to work in teams.

Mr Bill Jordan, Amalgamated Engineering Union president, said the likelihood of employers switching production to low-wage economies if wage rates in Britain rose had been exaggerated. It ignored factors such as the development of the local infrastructure, and the level of skills.

Mr Jordan said the Social Charter was economically justified because European countries could not compete with other economies by cutting wages.

Mr Richard Pearson, deputy director of the Institute of Manpower studies, said a number of discrete labour markets crossing European borders had started to emerge. They included markets in top managers, specialists, middle managers sent abroad to broaden competencies, and new graduates.

He said Britain had "a worsening balance of mobility" with Europe because outflows of managers and professionals had risen from 5,700 in 1976 to 17,700 in 1986. However, the inflows and outflows were still small despite indications of convergence of individual countries' labour markets.

Mr Tony Raban, chairman of the Forum Européan de l'Orientation Académique, said employers were actively beginning to seek some graduates from other EC states partly because of domestic shortages, and partly because of changes in organisational structure.

He said there was a "push" from graduates looking for opportunities to develop their careers in foreign countries. There would probably never be a single EC labour market for graduates with complete freedom of movement, but there would be much greater mobility that at present.

Mr Ivan Yates, deputy chief executive (engineering) of British Aerospace, said the reduction in the supply of technicians was beginning to have "very serious" consequences for British manufacturing. There was a tendency to substitute graduates for technicians as an easy option.

Professor Matti Otala, senior vice-president of the Nokia Corporation, said the emphasis of education needed to be shifted quickly from young people to adults. One of the main challenges was to move studies from educational institutions to the workforce, and increase employer involvement.

UK NEWS

NEC to make advanced memory chip in Scotland

By Michael Skapinker

NEC, the Japanese electronics group, said yesterday that it intended to begin manufacturing a new generation of memory chips at its factory in Livingston, Scotland.

Mr Haruo Akiyama, the managing director of NEC Electronics in Europe, said that initial production of the four megabit dynamic random access memory (Dram) chip would begin by the end of this year. This would make the Livingston factory one of the first producers of four megabit Drams in Europe.

Mr Akiyama said that the start of four megabit Dram production would involve some new investment in Livingston and an increase in employee numbers. He said it was too early to say, however, how many more people would be taken on.

He said that production of the chip would initially be limited to small quantities. The market is still dominated by one megabit Drams.

Mr Bipin Parmar, an analyst with the industrial research group, Dataquest, said he expected sales of four megabit chips to begin picking up next year. He said that production of the chip in Europe was still limited. IBM has started to make four megabit Drams in Germany for use in its own products. Siemens has also started producing the chips.

Mr Parmar said, however, that NEC would be the first Japanese company to produce four megabit Drams in Europe. Rivals such as Hitachi, which recently announced that it was building a wafer fabrication plant in Bavaria, would not be ready to begin production until 1992.

Hague ruling leads to legal battle

A COMPLEX legal battle over Sunday trading in Britain is to be fought out following the European Court ruling over B&Q, the chain of home improvement stores, which left the matter in some doubt, reports the Press Association.

Magistrates at Cwmbran, Wales, who originally sent the case to The Hague yesterday, set aside at least four days in May to hear a prosecution against B&Q brought by Torfaen borough council.

The case will be seen as a crucial test by retailers and the 'Keep Sunday Special' lobby opposed to Sunday shopping.

It was referred back to the South Wales court last November when the European Court ruled the ban on Sunday opening was not an illegal trade barrier.

The European judges, however, said it was up to UK courts to decide whether the 1950 Shops Act went beyond what was necessary to allow fair trading or if it put imports at a disadvantage.

The outcome of the new case is bound to affect scores of other prosecutions launched by local authorities round the country against big home improvement stores.

B&Q lawyers will submit evidence from top economists to argue the case for being allowed to open on Sunday in accordance with European trading policy.

Almost 25 per cent of B&Q's trade is on Sundays and EC products make up about 10 per cent of sales. Mr Gerald Barling, lawyer for B&Q, denied suggestions that the chain was employing delaying tactics.

London police launch drive for more ethnic recruits

By Emma Tucker

LONDON'S Metropolitan Police will become the first regional force to abandon height requirements for new recruits as part of a drive to increase the number of policemen from ethnic minorities.

Assistant Commissioner Wyn Jones announced major new initiatives on police recruitment and, in particular, recruiting from ethnic minorities yesterday.

"We are devoting more resources than ever before to an issue that we regard of great importance. The Commissioner, Sir Peter Imbert, has reiterated his concern that police in London represent all Londoners; I have given this my highest priority," he said.

Height requirements of 5ft 8ins for men, and 5ft 4ins for women will be scrapped for all applicants. These figures represent above average heights for certain ethnic communities. Mr Jones said they had previously excluded up to 2m otherwise suitable applicants.

The initiative also includes the introduction of access courses for candidates who have the potential to become successful police officers, but who just fail the written Police Initial Recruitment Test (Pirt). They will be eligible for a 15-week course which will bring them up to the standard required to pass the final stage of the recruitment process.

Mr Jones said that research on the Pirt, introduced in the early 1970's, revealed that the actual testing procedures contained an element of bias against the socio-economic and educational backgrounds of applicants from ethnic minorities.

"There has been a lot of peer group pressure preventing ethnic recruits from joining us. We want to encourage families and opinion-makers to urge individuals to join us," said Mr Jones.

Another problem facing the Metropolitan Police is racism within the force. Last year 26 Black or Asian officers left, while only 35 were recruited. The force has only one chief inspector from an ethnic minority.

Mr Jones said: "We have to ensure that the environment into which these individuals come will be acceptable to their backgrounds. The Met is dedicated to ensuring that they receive proper treatment."

A tough case to crack for Scotland Yard

Jimmy Burns on moves to restore racial confidence in white-dominated police forces

THE recruitment drive by the Metropolitan Police, based at Scotland Yard, aims to tackle one of the most controversial issues which has surrounded policing in Britain in the 1980s.

It is the latest in a series of initiatives with which Britain's largest regional police force hopes to restore the confidence held in it by the community.

The poor police record on race was highlighted of a report on employment by the Commission of Racial Equality published in December 1988.

That record was underlined by an equally critical report on racial attacks and harassment published by the House of Commons Home Affairs Committee late last year.

After contacting 43 Chief Constables – 32 responded – the CRE concluded that despite recent efforts in the area of recruitment, the number of black officers in police forces throughout Britain remained "disproportionately small" although it was "steadily increasing."

Some police forces like West Midlands and West Yorkshire had taken 'positive action' to reverse the negative trend. The action included the introduction of special admission courses and targets for minority ethnic recruitment.

The CRE said, however, even when equal opportunity policies had been adopted by a particular police force these tended to be pursued largely on ad hoc basis and not as part of any strategy focused on relations with the community.

In its report, the Home Affairs Committee suggested tension between black or Asian officers and their white colleagues was a factor in the slow pace of recruiting officers from ethnic minorities.

In the 1980s, the Metropolitan Police used special career advisory mobile units in the inner cities and some advertising in an effort to change the racial composition of its ranks.

The Committee said the small proportion of police officers from racial minorities indicated that the impetus of earlier recruitment drives in 1986 and 1987 had been lost.

At present only about 1 per cent of officers in England and Wales and about 1.5 per cent of Metropolitan officers are from racial minorities.

The Committee also noted there were no black or Asian officers in the ranks of chief-superintendent or above and particularly low ethnic recruitment to administrative jobs.

This contrasts with the ethnic minority groups which for 3.9 per cent of the economically-active working age population in Britain and 10 per cent in London.

According to Mr Jim Gribbin, a leading official of *CRE's* Employment Division, the measures announced by the Met yesterday is the most comprehensive package yet to be announce by a British police force in response to the 'technical issues' which obstructed recruitment in the past.

The CRE has documented cases of police harassment of ethnic minorities, as well as discrimination against black officers by their colleagues.

"It's quite clear that young ethnic minority persons have a very poor image of the police force as employers," says Mr Gribbin.

Office rents rise by 28.5% a year amid signs of a slowdown

By Paul Cheeseright, Property Correspondent

OFFICE RENTS rose by an average of 28.5 per cent across England and Wales in the year to last September, according to a survey of 50 centres carried out by Jones Lang Wootton, chartered surveyors.

This represented a slightly slower rate than in 1988, but demonstrates the continuing strength of tenant demand. However, in recent months the growing atmosphere of economic uncertainty has slowed the pace of decision-making and the market generally appears to be flattening out.

The average rise hides sharp regional disparities. Leeds saw the fastest growth at 70 per cent and there were rises of more than 50 per cent in Bournemouth, Kingston-upon-Thames, Northampton, Norwich, Nottingham and Plymouth.

But in towns such as Basingstoke, Bracknell, Maidenhead and in outer London areas like Bromley, Croydon and Wembley there were no increases at all.

The survey tends to bear out the suggestions that the centres which were first to see rental growth in response to high tenant demand have been the first to slow down in what is a notoriously cyclical industry. In every centre the growth of rents has prompted development to absorb demand.

The nationwide surge in property values started in the City of London and spread outwards. But now, although it is not covered in this particular Jones Lang Wootton survey, a rental plateau has been reached in the City.

In some cases, landlords are being forced to offer concessions to prospective tenants in order to clinch lease agreements.

In absolute terms, prime rents in the City and West End of London running up to £70 a square foot are well over double those in regional centres like Birmingham, Bristol, Manchester or Newcastle.

The rise in town centre office rentals has taken place against a growing diversity in the market, encouraged in part by a change in regulations to eliminate the distinction, in planning terms, between light industrial and office use.

In a survey of business accommodation, Healey & Baker, chartered surveyors, noted "a new geography of office location" – a reference to the spread of offices outside towns, epitomised by the speed of development in areas along the M4 between Heathrow Airport and Cardiff. It says that "a broad band of mixed use development is being built down the middle of the country, centred on the *M1* and the *M40*."

But Healey & Baker also noted that the speed at which all types of offices were being taken up slowed during the year to June 1989. This is the counterpart to the slowing rental growth mentioned by Jones Lang Wootton.

Both the town centre and out-of-town offices markets were dominated by the search for space by accountancy, financial services, insurance and professional firms. This sector, according to Healey & Baker, accounted for 50 per cent of the take-up for out-of-town offices and 77 per cent of the take-up in town centres.

This is a further instance of demand spreading out from London and the south-east of England. The chase for space in the professional sector was especially marked in central London between 1985 and 1988.

The extent to which demand will ease and rental growth will slow depends fundamentally on the general movement of the economy, though special factors could hold up rents in certain towns. These include the Government's plans for the decentralisation of some Civil Service departments and a likely increase in the number of corporate refugees from the choking effect of congestion in central London.

Court rules on £7m Gibraltar insurance crash

By Raymond Hughes, Law Courts Correspondent

NEGLIGENCE by an insurance broker induced investors to put money into the Gibraltar-based Signal Life insurance company which crashed in 1982 owing about £7m, a judge has said.

Lord Cameron, sitting in the Court of Session in Edinburgh, ruled that 58 investors from Dundee were entitled to get their investments back in full, with interest. With the addition of interest, payment would total some £300,000.

The order was made against Lloyd's of London syndicates which were the indemnity insurers of the insurance broker, Lothiansure, of Dundee, which went into liquidation in 1987.

Lord Cameron rejected the syndicates' argument that they were not liable because of an exclusion clause in the indemnity policy which stated that "No payment will be made where the loss arises from the insolvency of an insurance company."

Lothiansure sold about £500,000 worth of the £1.5m of the bonds issued by Signal Life.

Video industry worth £1.5bn a year to UK

By Raymond Snoddy

THE VIDEO industry in the UK, both programmes and equipment, is now worth more than £1.5bn a year according to a new study published yesterday.

Consultants GAH believe that pre-recorded cassettes for rent and sale are now worth a total of £850m and will be a £1bn market in just over a year.

"It is a very significant sector, larger than TV sales or even home computer sales and is catching up with the music software as a whole. Within just 10 years video has become a mass entertainment medium," GAH argues.

Last year rental revenues totalled £555m - up 10 per cent in real terms with an extra £300m from sale of cassettes. On top of that £200m worth of blank tapes were sold plus £640m for video recorders themselves.

Around 62 per cent of UK homes now have a video recorder giving 71 per cent of adults access to one. Most owners however use their machines primarily for time-shifting TV programmes.

No block to trade with east Europe

Charles Batchelor reports that, despite the drawbacks, persistence and flexibility can be rewarded

If you have attended a seminar or a briefing recently on doing business with Eastern Europe you might be forgiven for believing that this part of the world was the exclusive preserve of large companies. ICI and Courtaulds, Fiat and Siemens – the big multinationals seem to have it all sewn up.

The advice you will get from UK government officials and from private consultants is that the East European markets are difficult ones to deal with and best left to the experienced exporter. Impenetrable bureaucracies, non-convertible currencies and the expense of establishing an office are only three of the complications facing the would-be exporter. Ideally the smaller firm should go into Eastern Europe as a sub-contractor to a larger company, they suggest.

This is sound advice – up to a point. But a number of smaller British companies have made a success of doing business in countries such as Poland, the Soviet Union and Hungary despite the obstacles. Smaller firms with a powerful position in niche markets have used a combination of persistence and flexibility to become valued suppliers to Eastern Europe. Most use a combination of direct selling and agents with good local knowledge.

Starfrost Systems, a four-year-old Norwich-based company supplying systems for processing and freezing food, exports nearly half of its £4.8m turnover to Eastern Europe. Starfrost *supplies freezers for installation by* other contractors but also acts as main contractor on turnkey projects – a considerable challenge for a company with a workforce of only 21 people.

Starfrost gets a lot of leads from F Justus, an old-established German distribution company with good contacts in Eastern Europe. Starfrost's technical experts attend exhibitions with Justus's salesmen, so they meet the buyers.

Starfrost also gets useful market intelligence from its own project engineers who spend time in Eastern Europe overseeing the installation of the company's equipment. Cold-calling does not work as a way of winning business but once you have established a reputation, orders will come your way, says David Bennett, managing director.

Shaw Moisture Meters, a Bradford-based supplier of equipment for measuring the moisture in gases, has won much of its East European business by getting exposure for its products in East European and Western technical magazines. East European publications are comparatively drab in appearance but are enormously influential.

"If you have interesting technology and you write about it clearly and with authority you will be published," says Janie Jeffreys, managing director of EIBIS International, a London consultancy which specialises in preparing technical information for publication. "There is normally just one magazine for each sector of industry and everyone in that sector reads it. An article or advertisement appearing there will be read in every appropriate factory in the land."

Derek Parker: "An enquiry almost always leads to an order"

Shaw, which has turnover of £3m and a workforce of 14, has been selling in East Europe for 20 years using this method, says David Parker, managing director. Apart from one visit to Budapest last year to sort out a problem, Parker has yet to meet his East Bloc customers.

Enquiries and orders arrive by mail or telex from the purchasing ministry involved. "If I get an enquiry it almost always leads to an order – it is obvious that a decision has already been made – though I may have to wait a year or two after we have made the offer," says Parker.

Doing business this way has its problems, however. The long delays can put pressure on cash flow while specification and price may have changed by the time the order is placed. "If I query anything by telex most often I won't get a reply," says Parker. "I feel the individual I am dealing with does not have the authority to send another telex out of the country. So I take the line of least resistance and supply the older model at the original price."

Up to now the centralised state purchasing system has meant that companies like Shaw have had no direct contact with the engineers who would be the final users of the product. "On occasion we have had to supply a mismatched assortment which we know won't work but we don't like to question it for fear that someone will be sent to Siberia," he comments.

The centralised nature of decision-making in Eastern Europe has also meant that projects have sometimes been drawn up to fit the national plan rather than commercial realities. "They come with marvellous ideas for a factory making, say, 5m condoms a day when the money they have available will only pay for capacity of 1m a week," explains Tom Waugh, a director of Overseas Marketing Corporation, a London-based trading company which acts for Shaw in Eastern Europe. Before the Western supplier goes to the expense of drawing up detailed plans he should make some outline estimates of the project's practicability.

There are, however, advantages in dealing with one central buying organisation. The Western supplier only has one point of contact and orders are frequently for very large volumes. "We have had orders for 40 tonnes of dye from government purchasing organisations because they deal with many factories," says Bill Wood, technical sales manager of James Robinson, a Huddersfield-based supplier of textile dyes with sales of £12m.

Not that very large orders are always welcome to the smaller company with limited financial resources. Starfrost is having to stagger delivery of a large freezer order to Poland because of the difficulty of financing the deal in one go. "We would have had to find £2m in cash to finance the order so we will make a first delivery and then supply the rest as the finance becomes available," says David Bennett.

The reluctance of Western bankers to provide credit lines for deals with Poland in particular is a problem for suppliers. Bennett says he has used an Austrian bank in the past to finance deliveries to Eastern Europe because they had credit available.

Despite shortages of hard currency in Eastern Europe, Bennett says he is usually paid on time. Shaw's David Parker reports delays of several months in getting payment, however, with Poland the tardiest of countries to settle its debts.

One way round this problem, though it adds to the complexity and the cost of doing business, is to sell through an agent in another country. Parker says he is considering selling to the Soviet Union through his Indian agent. Parker would receive sterling from India while the agent would be paid by the Soviets in rupees, of which there is apparently no shortage.

In general, barter deals should be left to the larger companies, some of which have set up their own counter-trade departments to handle such transactions, the experts advise. However, Starfrost's Bennett reports becoming involved in one "nerve-wracking" barter deal to clinch an order. Starfrost signed up to take payment in the form of a quantity of apple concentrate from the next year's harvest.

If the crop had failed or the concentrate had been of very poor quality Starfrost could have been in trouble. Fortunately apples are a fairly resilient crop and the concentrate did not have to be of the highest grade. "If it had involved top-grade strawberries I don't think I would have done it," comments Bennett.

How will the changes which are currently under way in Eastern Europe affect ways of doing business? Ultimately, if the Eastern economies become more commercially-minded and currencies become convertible life should become easier for the Western supplier. But these changes will take some time. In the short term the break-up of rigid central controls may make life tougher.

"In the past you would deal with one man," says Overseas Marketing's Tom Waugh, a seasoned Eastern Europe traveller. "Now you are starting to get more access to the end-user of your products and decision-making is spreading to more people; but you don't know if they are the people with the money to spend."

In addition, the lack of a commercial infrastructure will continue to hamper doing business for some time to come. More and more companies and factories have the authority to spend hard currency earnings but keeping up to date on which ones have these powers is difficult, says Waugh. Economic liberalisation is also leading to greater staff mobility. "The people in the foreign trade organisations are moving on more frequently," he adds. "There is so much fluidity."

How to avoid liquidation

By Charles Batchelor

High interest rates and the introduction of the Uniform Business Rate are putting increasing pressure on many businesses. In 1989 business failures rose for the first time since 1984 with company liquidations 10 per cent higher at 10,197, according to Dun & Bradstreet, the business information group.

So what can the small firm do? The only certain way to avoid receivership is never to borrow from a bank and never give security if you do, says Tim Hayward, head of corporate recovery at accountants Peat Marwick McLintock. For the real world, however, Hayward suggests Ten Golden Rules for avoiding problems.

● Do not overtrade. Rapid growth brings a big appetite for cash so it is wiser to go for modest expansion and seek to improve margins instead of concentrating on increasing turnover.

● Do not borrow any more. Companies with liquidity problems tend to make things worse by increasing borrowings or turning to hire purchase and leasing. Don't.

● Find an equity partner. If you do need more money do not increase your gearing further. Issue share capital.

● Prepare a survival plan. Liquidity is more important than profits and you may have to postpone longer-term growth plans to ensure survival in the short term. Your plan may have to include redundancies, abandoning loss-making product lines, closing premises and deferring non-essential spending.

● Abandon speculative projects even if you have spent heavily on development.

● Lock away the cheque book. Make maximum use of permitted credit periods and negotiate deferred payment with your suppliers where possible.

● Cut stocks and review purchasing commitments. Order essential supplies only. Avoid the lure of volume discounts and use existing stocks even if some reworking is necessary.

● Chase debtors hard. Identify overdue accounts and make sure you get paid. Resolve disputes as a high priority even if you have to issue credit notes.

● Keep your bankers informed. If you are economical with the truth you may destroy the bank manager's confidence when he does discover the real situation.

● *Seek professional help from* your accountant, solicitor and banker.

Joint approach to R&D in EC

Smaller companies without the resources to take part in conventional collaborative research and development programmes organised by the European Commission (this page January 16) might benefit from a new Brussels' programme called the Co-operative Research Action for Technology (CRAFT).

Instead of collaborating on direct research with large companies and research institutes CRAFT participants will get together with other small and medium-sized firms jointly to commission research from third parties.

The programme, which is intended in the main for smaller companies which lack sophisticated R&D departments, will relieve the small company of the burden of maintaining a long-term collaboration project with partners many hundreds of miles away. However, participants will not simply commission the research and wait for the results to drop through their letterbox. They will be expected to manage the project and provide secondees, equipment and materials where necessary.

Research projects will have budgets of Ecu 1m (£730,000) or less and be smaller than existing collaborative programmes. They will also last for only two years so as to provide a quicker return for participants.

The commission envisages that such projects may involve as many as 20 or 30 small firms in a particular industry, far more than take part in existing co-operative programmes such as Brite (industrial technology) and Esprit (information technology). These larger numbers are possible because participants will not be directly involved in the research work.

The Commission has provided Ecu 1m to fund three pilot projects but if they succeed it may finance a further programme up to Ecu 100m.

The three pilot projects comprise research into automatic equipment for handling hides in the tanning industry; the effects of bleaching on wool fibre; and the quality of wire used in making springs.

The aims of the programme include a strengthening of cross-border co-operation between companies and the creation of an esprit de corps between competitors in the same industrial sector to enable better representation in international markets.

CB

In brief...

■ The Rural Development Commission is running three programmes intended to help small country-based businesses face the challenge of the single European market. ProFIT, the Programme for International Trade, is designed to help companies do business on the Continent. The Selling in Europe programme has taken a small stand at the Nuremberg Toy Fair in February to be shared between six small toy-makers to see if the joint renting of space at continental exhibitions boosts sales. The Quality Assured programme aims to help small rural firms achieve the BS5750 standard of quality assurance.

Contact Rural Development Commission, 141 Castle Street, Salisbury, Wiltshire SP1 3TP. Tel 0722 336255.

■ The 1990 Small Firms Merit Award for Research and Technology (SMART) competition has been launched; the closing date for applications set is March 30.

Firms employing fewer than 50 people may win up to £37,500 to help finance "the development of innovative technology with commercial promise." Winners are then eligible for Stage 2 of the competition with prizes of up to a further £50,000.

Contact DTI regional offices.

FT LAW REPORTS

Security rule discriminates on nationality

BERKELEY ADMINISTRATION INCORPORATED AND OTHERS v ARDEN C McCLELLAND AND OTHERS

Queen's Bench Division: Mr Piers Ashworth QC sitting as a deputy High Court judge

ORDERS FOR security for costs against EC companies resident abroad are forbidden by EC law as effectively leading to discrimination on grounds of nationality in that, unlike orders against UK registered companies most of which are resident in the UK, they cannot be granted simply on grounds of the plaintiff company's impecuniosity.

Mr Piers Ashworth QC, sitting as a deputy Queen's Bench judge, so held when refusing an application by defendants, Arden C McClelland and others, for an order for security of costs in an action by plaintiffs, Berkeley Administration Incorporated and others.

Order 23 rule 1 of the Rules of the Supreme Court provides: "(1)Where . . . it appears to the court – (a) that the plaintiff is ordinarily resident out of the jurisdiction . . . then if . . . the court thinks it just to do so, it may order the plaintiff to give such security for the defendant's costs of the action . . . as it thinks just."

HIS LORDSHIP said that the defendants applied under RSC Order 23 rule 1 for security for costs.

The rule provided that the court might order security for costs where "it appears" that the plaintiff was "ordinarily resident out of the jurisdiction."

A defendant could not get his case for security on its feet unless he established that the plaintiff was ordinarily resident out of the jurisdiction.

The plaintiff's impecuniosity was not a ground for making such an order. It was well-established by authority that it was not a matter which could properly be taken into consideration when the court considered whether to exercise its discretion.

The position under Order 23 rule 1 was to be contrasted with the position under section 726 of the Companies Act 1985.

Section 726 provided that "Where in England and Wales, a limited company is plaintiff" the court might order security if there was reason to believe the company would be "unable to pay" costs if the defendant were successful.

Authority established that section 726 applied only to companies registered in England and Wales. It did not apply to companies abroad.

All three plaintiffs in the action were registered abroad. Berkeley Administration was resident in Brussels and administered the other companies, which also were probably or possibly resident in Belgium.

The question was whether Order 23 rule 1, insofar as it applied to member states of the European Community, offended article 7 of the Treaty of Rome.

Article 7 provided that "any discrimination on the ground of nationality shall be prohibited."

One's immediate reaction on reading that article was that Order 23 had nothing to do with nationality. It applied equally to British and foreign companies. It was concerned not with nationality, but with residence.

That view was taken by Judge Rubin in *Landi den Hartog [1976] 2 CMLR 393*. Also, in *Compagnie Francaise de Television [1981] FSR 306* Mr Justice Whitford said the basis of article 7 was to cope with cases dealing with "persons of any nationality who are not resident within the jurisdiction."

Those cases reinforced the view that article 7 was concerned simply and solely with nationality, not residence.

However, in *Boussac Saint-Freres [1980] ECR 3427*, the European Court held that article 7 forbade "not only overt discrimination by reason of nationality but also all covert forms of discrimination which . . . lead to the same result."

It had previously stated (see page 3443) that "the practical effect is more important than the criterion laid down."

In the present case it was argued that as the vast majority of British nationals were ordinarily resident in the UK, the practical effect of Order 23 rule 1 was to place nationals of other EC states in a worse position than UK nationals, and that therefore the rule amounted to covert discrimination.

That was a cogent argument.

In *De Bry v Fitzgerald & Van Rij, CA November 1 1988* the Master of the Rolls said that the Supreme Court Procedure Committee should consider amendment to Order 23 to reflect more clearly the rationale that a defendant should be entitled to security if there was reason to believe he would have real difficulty in enforcing an order for costs.

He said if the plaintiff "by reason of the way in which he orders his affairs, including where he chooses to live and where he chooses to keep his assets, an order for costs against him is likely to be unenforceable, or enforceable only by significant expenditure of time and money, the defendant should be entitled to security."

On that footing, he said, the discrimination was not based on nationality or residence, but on the need to administer justice effectively.

The matter remained open. Although the present court paid great attention to the earlier decisions of Judge Rubin and Mr Justice Whitford, the point about covert discrimination did not appear to have been argued in those cases.

Mr Hobbs for the defendants submitted that if the court took into account the plaintiffs' ability to satisfy any judgment against them – in other words if it applied by analogy the provisions of section 726 of the Companies Act – there was no discrimination against companies or persons resident abroad.

The first problem in that approach was that the court had to distinguish between natural persons and limited companies, and the authorities indicated quite clearly that there was no jurisdiction under Order 23 rule 1 to order security simply on the grounds of impecuniosity.

The second problem was that section 726 had been held not to apply to companies not registered in the UK, so the court would in effect be having to circumvent such decisions by taking impecuniosity into consideration, which authority said it must not do under Order 23 rule 1.

It was urged, however, that that was the approach which the Master of the Rolls suggested was correct in the passage quoted from *De Bry*.

The Master of the Rolls did not say that that was the law at present.

He prefaced the passage with "The Supreme Court Procedure Committee should give urgent consideration to whether Order 23 should not be amended to reflect this rationale more clearly"; and the last sentence of the paragraph read "On this footing the discrimination is not based on nationality or residence but on the need to administer justice effectively."

Clearly he was not referring there to Order 23 rule 1 in its present form, because it was, on its own words, dependent entirely on residence out of the jurisdiction.

In many ways the present case would be a case for granting security against the plaintiff companies, even if one of them happened to be resident in the UK, in that there was at least a strong *prima facie* case that they were ordinarily resident out of the jurisdiction, and it was not known where they kept their assets.

The case fell within the words of the Master of the Rolls that if "by reason of . . . where he chooses to live . . . an order for costs is likely to be unenforceable . . . the defendant would be entitled to security."

But clearly the court would have no jurisdiction to make such an order in the present case if one of the plaintiff companies was resident in the UK, and it could not possibly apply such a test when the plaintiff companies were resident abroad, until the order was amended.

The conclusion was that Order 23 rule 1 did amount to covert discrimination on the grounds of nationality and, insofar as EC residents were concerned, it was incompatible with article 7 of the Treaty of Rome.

It was clear on that view that another lacuna arose, because security under section 726 could not be ordered against the plaintiff companies in the present case. Therefore if Order 23 rule 1 were to be amended one would expect either that it would cover matters covered by section 726 (solvency), or that amendment of the Companies Act would be required to cover companies not registered in the UK.

The court could not make an order for security for costs because it was forbidden to do so by article 7 of the Treaty of Rome.

The application failed.

For the plaintiffs: Ian Croxford QC and T Lowe (Beynon & Co). For the defendants: Geoffrey Hobbs (Herbert Smith).

Rachel Davies
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ARTS

An overlooked genius who died too young

William Packer reviews a major exhibition of the work of Arshile Gorky at the Whitechapel Gallery

The thorough study of the work of the American painter, Arshile Gorky, now at the Whitechapel Art Gallery (until March 25: sponsored by the Bankers Trust Company), is likely to prove one of the year's more important exhibitions, and certainly one of its most beautiful.

In 1920, on the death of his mother, Vosdanik Adoian and his younger sister, Vartoosh, left their native Armenia to join the rest of the family, who had emigrated to New York some years before. A year or two later, marking the start of a new life with a new character, he changed his name to Arshile Gorky, claiming Maxim Gorky as a cousin and taking a wry pleasure in the bitterness that is the Russian meaning of the word. He was to remain in America for the rest of his life. In the summer of 1948, following a serious car accident that had left him partially disabled, he killed himself. He was 44.

There has been no major Gorky exhibition in Britain since a retrospective at the Tate in 1965 and in the meantime his critical standing has been transformed. Even then he was recognised as a significant figure, but the problem was that he had died too soon. For those were the days of an American critical orthodoxy that held that the golden age of the New York School was to come only with the 1950s, thus the work of those same painters in the 1940s – Gorky of course, Rothko, Pollock and the rest – suffered in consequence a comparative neglect.

The American culture seemed then to need to claim not merely the leadership of modernism in the mid 20th century, but an achievement for its avant-garde that was self-generated, self-sufficient and unique. Any critical sympathy for the work of that more various and experimental earlier phase, which so clearly acknowledged a natural debt to European influence and example, was markedly lukewarm. All that has now changed, and in reappraising the achievement of the New York painters in the 1940s, and setting thereby their whole achievement in its proper relation to the western modernist tradition at large, more recent critics have, if anything, re-emphasised the importance of those artists and enhanced their reputations.

'Composition with vegetables,' 1928, by Arshile Gorky

It is by this process of critical revision that Gorky has come into his own and now stands, with Mark Rothko and Jackson Pollock, as one of the three most important American painters of his period. And like them, he too makes clear in his work, whatever the quality of his originality, that his creative roots are set deep in the European tradition. Indeed in the earlier phases of his development as an artist, through the 1920s and into 1930s, his conscious emulation first of Cézanne and then of Picasso is all too plain. So close in spirit does he get to Picasso, by the mid 1930s, that the work is almost open pastiche. But, if pastiche it is, it is of a very high order, done with real flair and understanding, and yet informed by a particular invention that makes the work quite his own. The more direct and simple of the figure paintings of this time, portraits of family and friends set ambitiously upon the model of Picasso's own early work, are as touching and beautiful as anything he ever did, entirely personal and unique.

The Picasso influence is significant, for we see from it that Gorky was an abstract artist only in the sense that Picasso was an abstract artist, reducing and improvising upon recognisable images drawn from the visible world. Labels have their uses but can sometimes stick too fast to the cultural as of any other kind of luggage, hard to scrape off when their time is up. Abstract Expressionist, by which the New York School has long been characterised, was always somewhat misleading a term. Fair enough for the later Rothko and Pollock, it was never really applicable to Gorky at all, though he came to be stuck with it by retrospective association. In the 1940s, Abstract Surrealist would have been nearer the mark, for him and for all of them.

Picasso's was not his only later influence. Miró too had had a profound effect, and then there was André Masson, who spent the war in exile in New York. By the early 1940s the manner of Gorky's mature, Massonesque last phase was well established, with its thin, atmospheric veils of paint and the swift, cursive line by which the ambiguous imagery was described. These works are abstract in the sense that nothing is described that is recognisable, but yet the space is the space of the figure group or still-life, informed and articulated by the things it holds.

So the imagination is teased into wondering what these strange creatures might be, and what they do, and what the incidents and adventures they enact. The possibilities proposed are those of dreams and hallucinations, the visual free association that is as convincing to experience as it is impossible, on waking, to recall. "Waterfall," "Apple Orchard," "The Sun, the Dervish and the Tree," "How My Mother's Embroidered Apron Unfolds In My Life:" such titles set out an imaginative trail that it is up to the viewer alone to follow, into an enchanted world.

These later paintings are instinct with the authoritative simplicity that is the mark of the true artist. We accept them as they are for we cannot imagine their being anything other than as they are, complete and final, profound and beautiful. And yet the last room of all brings us up short, for there at last hang works that do indeed verge on a complete abstraction, referring to nothing other than itself. Among them is the last, unfinished painting, "The Black Monk," and it is hardly fanciful to see it as an image fraught with despair. Whatever the immediate cause of that last dreadful act, the painter's dilemma is clear in the work. Had he lived, would Gorky too have made that same commitment his peers were soon to make, to an abstraction entirely self-contained, empty of all humane incident, reference and possibility? Who can know?

Canova's statue of the Three Graces (above) is now on show at the Victoria & Albert Museum, an encouragement to the public to contribute to the £7.6m needed to keep it in the UK. It is being sold to the Getty Museum at Malibu, California, but the Minister for the Arts, Mr Richard Luce, has delayed an export licence until March 12th to give the V & A the chance to raise a matching sum.

Canova made the statue around 1815 for the Duke of Bedford, whose ancestors recently sold it (after offering it to the nation in 1982 for £1m). No one doubts its artistic quality and its importance to the heritage. However the sum needed equals half the annual purchasing grants of all the leading art galleries and museums.

The National Art-Collections Funds has kicked off the appeal with £250,000. A.T.

Haydn's 'Seasons'

BARBICAN HALL

This is the season of Haydn in London – the various concert series focussing on aspects of his music are still in progress – and also, it seems, the season of *The Seasons*. Generally slighted in favour of its sibling, *The Creation*, the oratorio has appeared more than once on the London schedule over the last few months (and is again due on South Bank in February). The time when received opinion deemed Haydn's last important work to be patchy and overlong is still not beyond memory, and so every opportunity to unmask this for the nonsense that it is must therefore be welcome.

After a performance of such high delight as provided at the Barbican Hall on Thursday, by the Monteverdi Choir and English Baroque Soloists under John Eliot Gardiner, the process is surely as near complete as it ever will be. This was a *Seasons* superlatively well played (the streaks of colour provided by "period" oboe and whooping horn quartet were almost entirely undiluted by the usual technical mishaps) and sung, and above all a *Seasons* unflagging in its dramatic and psychological momentum.

This is, after all, not just a musical calendar but an old man's artistic *Abschied* to various worlds, spiritual and philosophical as well as those of the flesh, a huge conspectus of Haydn's own miraculously long-lasting artistic creativity. It was the great achievement of Gardiner and his players and singers to keep the grand mixture of forms and styles beautifully fluent and uncoagulated, the balance between Haydn's glorious simplicities of invention and his incomparable mastery of mood and atmosphere absolutely exact. The springiness of rhythm and the airiness of texture (toward which the proper seating of first and second violins made a notable contribution) were constant virtues, along with a judgment of tempo that seemed unassailable.

If there was an inauthentic element in the performance, it was the hall itself: until one had made the necessary mental adjustments, the impression persisted of a slight acoustical fogging-up of the clarity and intimacy of approach so carefully sought by the performers. The soloists were (correctly) placed behind the orchestra, with the result that their words (particularly those of the Viennese soprano Brigitte Poschner, a singer with a very elegant and rather mannered way of floating her tones) tended to come and go.

And perhaps one missed a note of rustic humour in the solos of that excellently refined young baritone Gerald Finley; of the trio, indeed, it was the tenor, Anthony Rolfe Johnson (in superb voice), who caught the style most surely. These criticisms seemed of small importance in the face of so much exhilaration and joy.

Max Loppert

Streetwalker

BUSH THEATRE

Decline and fall; always irresistible. The early 18th century supplies some classic examples, such as The Abbé Prévost's *Manon Lescaut* and Hogarth's *The Rake's Progress* – both regular fodder for musical theatre. *Streetwalker*, which is presented by Babel Theatre and described as "an opera by Christina Jones with David Joss Buckley, composed by Warren Wills," takes another Hogarth series, *The Harlot's Progress*. Mary, arriving in London, duped into prostitution. Rich clients, poor clients. Arrest, Bridewell Prison. Release, return to whoredom. Illness, death.

Is that a short story or a long one? Depends on the telling. (De Valois's ballet of *The Rake's Progress* takes one act, Stravinsky's opera takes three.) *Streetwalker* is a 90-minute one-acter. Most of its pace is brisk, yet it feels too long. You want to applauded it for aiming higher than, say, *Les Misérables*, or, *Phantom* with mere chamber resources, but its book and score haven't enough substance to make much of a musical, let alone opera. Yet I could lift my eyes from the stage and see a hit Trevor Nunn staging of *Moll Flanders* rising from *Streetwalker*'s ashes.

Everything to be said about this show falls into "on the one hand" and "on the other." Jones and Buckley interleave Hogarth's tale with the theme of a sparrowhawk passing. The six performers, in speech and song, return periodically to this image. The device is intended to function rather as the choral interludes of Greek drama. The sparrowhawk image launches some appropriate ideas – the freedom of the air (as opposed to the confinement of London), the threat of a predator. But these ideas aren't clarified. They're gestures in the direction of poetic music-drama, and, as such, feeble

The main narrative is told with chirpy gutter vitality. Four-letter words abound. The heroine's death scene occurs against a group paean to "the Holy Spirit – gin." (True pub theatre.) In a final 10-second episode, we see again the heroine's arrival in London. The noises off are now those of King's Cross station, and a 20th-century pimp claims her: "Sold!" (Old story. Modern spirit. Geddit?) There's enough detail on the seamy side and the street life of London to remind you that Hogarth was an 18th century Dickens. But I no sooner thought of that than I longed for the street scenes of "Nicholas Nickleby" or even, heaven help me, "Oliver!", where the fabric of words and music amount to so much more.

Warren Wills's score had to negotiate between the choral and narrative aspects, and all for a cast of six. The choral odes are the most fancy in harmony, and their most demanding lines go to the classically trained voices of Fiona Munro and Leon Berger. The show needs to reach its most poignant with the heroine, taken by Christina Jones herself. The make-up that charts her progress, however, does a better job than her words an music. Arriving in London this country girl sings "it's different, it's different" – a niggling little non-event of an aria. At three subsequent stages along her way, she returns to this tune, now to the words, "I'm different, I'm different." Attempting pathos, sheer bathos.

Alastair Muir

Alexandra Sumner and Fiona Munro top; Leon Berger and Claire Welch below

Alastair Macaulay

Kenny Wheeler

QUEEN ELIZABETH HALL

Trumpeter and composer Kenny Wheeler is not a household name, though judging from his C.V. he ought to be. Celebrating his sixtieth birthday by taking a big band of jazz luminaries on a UK tour (until February 1), the shy Canadian has inspired and worked with some of Europe's most distinguished modern jazz musicians. A man of reticent demeanour, Wheeler has more the air of an insurance actuary than someone who has spent time with the Spontaneous Music Ensemble.

Arriving in Europe in the early 1950s, he started out with the likes of John Dankworth and Tubby Hayes. Since then he has worked in free improvisation with Tony Oxley and Anthony Braxton and gone on to record a series of albums for Germany's ECM label alongside bassist Dave Holland and with his own Azimuth trio.

An outing with a 19-piece big band – his regular quintet plus horns – is a rare treat, however. A virtuoso trumpet and flugelhorn player, Wheeler's real strength lies in composition and arrangement and it was this that a crowd thick with musicians had come to hear.

The first half on Thursday evening at the Queen Elizabeth Hall was a thoughtful affair split into seven movements employing arrangements that made maximum use of the 19 piece band. Lush chords were overlaid with an ethereal vocal top line from Norma Winstone as well as Wheeler's flugelhorn. The solos, when they came, were kept short and to the point and Peter Erskine's drum kit used sparely. Indeed by the interval it seemed that the improvisational talents of Wheeler's high profile horn section – which included Evan Parker, Stan Sulzmann and young Julian Arguelles – would not be given full rein.

But the second half saw a change of mood. Returning with his ECM team (John Abercrombie on guitar; John Taylor piano; Dave Holland, bass and Peter Erskine on drums) and without the brass, Wheeler loosened up somewhat. With "S'madder?", the straight ahead "Blues for Charlie Mingus" and Foxy Trot", the quintent stretched out, with Wheeler's strong melodies giving Taylor and Abercrombie plenty of work around.

By the time the brass returned to the bandstand Wheeler was in a more expansive mood and Parker was allowed to do what he normally does, introducing "Sea Lady" with a flurry of notes and a fine exhibition of circular breathing. "Sophie," for his grandaughter, welled from a full brass intro into a grand melancholic sound led by Wheeler and Sulzmann, finally zipping along in true big band style.

Garry Booth

SALEROOM

Passion for Americana

American passion for collecting the finest works of art produced in the US of A shows no sign of abating. Christie's important weekend sales in New York of American furniture, silver and decorative arts did very well, with a total of \$10.6m (£6.4m) while the 17th and 18th collection of Americana formed by May and Howard Joynt of Alexandria, Virginia, made almost \$4m (£2.4m), with 96 per cent sold.

The most outstanding price from the mixed owner sale was the \$4.6m (£2.8m) paid by the dealer Israel Sack for a Chippendale carved mahogany pier table made by Thomas Tufft in Philadelphia around 1775 and then bought by the local store keeper Richard Edwards for £5. It was the second highest price paid for an item of American, indeed any, furniture (a Nicholas Brown desk and bookcase made an extraordinary \$12.1m last summer). The top estimate had been \$1.5m.

A Chippendale carved mahogany tea table, made in Philadelphia around the same time with the carving attributed to Nicholas Bernard and Martin Jugiez, sold for \$1.2m (£733,333), on target. It went to Leigh Keno. Its twin is in the Philadelphia Museum of Art.

Among the Joynt collection Leigh Keno paid \$418,000 (£250,000) for another item of Philadelphia furniture of Chippendale design, a carved mahogany side chair. Its twin made \$330,000.

Rugs and carpets is a sector of the antiques market which has been out of fashion for many years. In fact compared with the prices paid 90 or 70 years ago the best examples of the weavers' art must be considered bargains. In New York at the weekend there were signs of a revival, with Sotheby's auction totalling \$3.4m (£2m), with 17 per cent unsold. Two categories of rug set auction records.

The \$286,000 (£174,000) paid by a European dealer for a Star Kazak rug, produced in the south west Caucasus in the late 18th century, was a record for any Caucasian rug. The style, which has stars in a red, blue and cream coloured design, has traditionally been the most sought after format of rugs from the region, and this is a very fine example. It measures 8ft 2ins by 5ft 10ins.

The other record was for a Turkoman rug, a Sultanabad carpet of the late 19th century which sold for \$185,100 (£110,000), well above estimate. It measures 26 ft by 14 ft.

Sotheby's auction of English and continental furniture totalled \$1.9m (£1.2m), also with 17 per cent unsold. A George III carved mahogany breakfront bookcase of around 1765, once the property of the St Louis Art Museum, and now sold for the benefit of the American tax authorities, just topped £100,000. Among the French furniture a set of four Louis XV giltwood armchairs were on target at £60,200.

Antony Thorncroft

ARTS GUIDE

January 19-25

OPERA AND BALLET

London

Royal Opera, Covent Garden. No opera performances until February.
The Royal Ballet at Covent Garden shows *La Fille Mal Gardée* with the *Laurentia* divertissement on Jan 24; Ashton's *Cinderella* loses her shoe on Jan 19 and 20. English National Ballet ends its run of Schaufuss's clumsy *Nutcracker* at the Festival Hall on Jan 20.
English National Opera, Coliseum. The company undertakes a Berlioz rarity – *Beatrice and Benedict*, his late, ravishingly beautiful version of *Much Ado about Nothing*. The new production is by Tim Albery, conducted by Mark Elder, and the cast is led by Ann Murray and Philip Langridge. *Faust*, in Ian Judge's deft, fast-moving production (using the original spoken dialogue), returns with a fine cast (Valerie Masterson, Arthur Davies, and John Tomlinson) and conductor (Jacques Delacôte). Final performance of the magical production of *Hansel and Gretel*.

Paris

Théâtre des Champs Elysées. The Russian season includes, in alternation, *Khovanchtchina*, *Eugene Oneguine*, *Boris Godunov* and *The Queen of Spades* (47208537).
Opéra. The Paul Taylor company arrives with two alternating programmes both full of humour and exhilaration. Palais Garnier (40173340).

Amsterdam

Netherlands Philharmonic Opera with a new production of Gluck's *Orphée et Eurydice* directed by Peter te Nuyl. (Sun matinee, Tue to Thur). Muziektheater (255 455).

Madrid

Teatro Lirico Nacional de la Zarzuela. A new production of Rossini's *Il Turco in Italia* opens the Madrid opera season. It is conducted by Alberto Zedda and has a cast led by Enedina Lloris and Willard White (429 82 25).

Brussels

Cirque Royal, Compagnia d'Opera d'Italia di Milano in Verdi's *Il Trovatore* conducted by Lajos Vasady-Balogh.
Théâtre Royal de la Monnaie. The Monnaie opera in Mozart's *Così fan tutte*, staged by Luc Bondy, sets by Karl-Ernst Herrmann, conducted by Sylvain Cambreling with Barbara Madra as Fiordiligi.

Vienna

Staatsoper. *Faust* conducted by Serge Baudo; *Der fliegende Holländer* conducted by Berislav Klobucar; *Lohengrin* conducted by Claudio Abbado. Ballet: *Dornröschen* choreographed by Rudolf Nureyev and conducted by Peter Keuschnig.
Volksoper. This week: *Die Zauberflöte*, *My Fair Lady*, *Die Hochzeit des Figaro* and *Der Freischütz*.

Rome

Teatro Dell'Opera. Puccini's *Madame Butterfly* conducted by Daniel Oren, with a fine performance by Raina Kabaivanska in the title role (Wed) (46.17.55).

Florence

Teatro Comunale. The Balletto Antonio Gades in *Fuego* from *El Amor Brujo* by Manuel de Falla, with choreography by Gades, who dances with Stella Arauzo, Candy Roman and La Bronce (2779236).

Bologna

Teatro Comunale. *Il Viaggio*, a new opera commissioned by the Comunale from the young composer, Fabio Vacchi, with libretto in Emilio-Romagna dialect by poet and set-designer Tonino Guerra. The small cast includes Esti Kenan, who worked with Luciano Berio in Ofanim, conducted by Giampiero Taverna (529999).

Venice

Teatro la Fenice. Claude d'Anna's production of Leoncavallo's *La Bohème* opens the autumn season. The opera had its first performance here in 1897, a year after Puccini's *Bohème* opened at Turin, and was immediately forgotten. This revival is conducted by Jan-Latham Koenig, and the cast includes Martha Senn, Lucia Mazzaria and Mario Malagnini (5210161).

Berlin

Opera. *Rigoletto* in Hans Neuenfels' production features Frederick Burchinal in the title role, Angela Denning, Ute Walter, John Sandor and Bengt Rundgren. *Die Sache Makropulos*, newly produced by Günter Krämer with sets by Andreas Reinhardt will have its premier this week. Further performance of the Götz Friedrich *Die Hochzeit des Figaro* production with Julia Varady, Catherine Malfitano, Ruthild Engert, Andreas Schmidt and Manfred Hamm making his Berlin debut. Also *Zar und Zimmermann* and a ballet evening.

Hamburg

Opera. A ballet *Hommage a Jose Limon* with three of his pieces. *Idomeneo* under the superb musical direction of Gerd Albrecht with Josef Protschka, brilliant in the title role, Hedwig Fassbaender, Roberta Alexander and Kurt Streit. *Otello* stars Linda Plech, Wladimir Atlantow, Franz Grundheber, Heinz Kruse and Harald Stamm. *Don Pasquale* is a well done repertoire performance.

Cologne

Opera. The successful Harry Kupfer *Lady Mcbeth von Mzensk* production returns with Marilyn Schmiege, Aage Haugland, Jean van Reeand, Günter Neumann. *La Finta Giardiniera* is well sung by Michael Myers, Teresa Ringholz, John la Pierre, Janice Hall, Andrea Andonian and Darla Brooks.

Frankfurt

Opera. Monsieur Beaujolais and his company play Offenbach's three one act pieces. *Dido and Aeneas* has fine interpretations by Glenys Linos, Elaine Woods, Valentin Jar. *Iphigenie en Tauride*, sung in French, will be conducted by Gary Bertini with Helena Dose, brilliant in the title role. *Rusalka* rounds off the week's programme.

Bonn

Opera. The wonderful Jorge Lavelli *Andrea Chenier* production is revived with a particulary strong cast led by Giorgio Lamberti, Gabriela Benackova, Christine Obermayr and Karoli Szilagy. Further performances of Youri Vamos' ballet *Spartakus*. And a Teresa Berganza Lieder recital with pianist Juan Parejo.

New York

Metropolitan Opera. Nello Santi conducts *La Gioconda* in Bruce Donnell's production with Ghena Dimitrova in the title role, Bruno Beccaria as Enzo and Alain Fondary as Barnaba. James Levine conducts *Cosi fan tutte* with Margaret Price, Tatiana Troyanos, Jerry Hadley and Thomas Hampson in Colin Graham's production. Performances continue of August Everding's new production of *Der fliegende Hollander*, conducted by James Levine with Eva Marton, James Morris and Paul Plishka. Lincoln Center Opera House (362 6000).
New York City Ballet. The mixed repertory continues with performances of *The Goldberg Variations*, *Les Gentilhommes* and *Prodigal Son*. New York State Theatre, Lincoln Center (870 5570)

Washington

Washington Opera. Roman Terleckyj's production of *Werther* continues with Mark Thomsen in the title role and Deidra Palmour as Charlotte, conducted by Cal Stewart Kellogg. Performances of *The Merry Wives of Windsor* feature Kenneth Cox as *Falstaff* and Sheryl Woods as Mistress Ford, conducted by Fabio Mechetti in Leon Major's production. Eisenhower (467 4600).
Ballet National de Marseille Roland Petit. Programmes of *Ma Pavlova* and *L'Arlesienne* alternate with *Le Jeune Homme et La Mort* and *Le Diable Amoureaux* during the company's week-long stay. Ends Jan 28. Kennedy Center Opera House (467 4600).

Chicago

Lyric Opera. Julius Rudel conducts the San Diego Opera production of Ambroise Thomas's *Hamlet*, which has its premiere with Sherrill Milnes in the title role, Felicity Palmer as Gertrude and Gregory Kunde as Laertes. Barbara Daniels is Rosalinda and Neil Rosenshein sings Alfred in director Giulio Chazalettes's production of *Die Fledermaus* also conducted by Julius Rudel. Lyric Opera (332 2244).

FINANCIAL TIMES

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Pöhl throws a gauntlet

IN THE WEEKS before the meeting of the European Community heads of government in Strasbourg last December, the relationship between France and West Germany was reminiscent of a strained marriage. France, playing the role of a jealous wife suspicious of her husband's new mistresses in the east, insisted that he prove his love by giving her an intergovernmental conference on economic and monetary union. In the role of the guilty husband, West Germany professed undying devotion and conceded.

The main argument for the urgency was political. At a time of extraordinary change in the eastern part of the continent, it was feared that the EC might be pulled apart if it were not pulled more tightly together. The argument is strange. Some of those most enthusiastic about economic and monetary union, especially in France and Italy, wish to regain from the Bundesbank a part of the control over monetary policy that they are losing within the European Monetary System. Yet the notion that West Germany could be bound more securely to the EC by a plan to replace the D-mark by a worse European money has always looked like a fantasy.

The speech on the prospective European monetary order given last week by Mr Karl Otto Pöhl, President of the Bundesbank, should have terminated this dream. Policy coordination, he asserts, "must not be orientated towards a European inflation average." A German Government that gave up the present EMS framework for achieving stability without offering something better, he warns, "could not count on the support of the German general public which reacts very sensitively to matters of price stability."

Evolutionary process

Mr Pöhl also indicated that Emu must be achieved by an evolutionary process. In this at least his views coincide with those of Mr Robin Leigh Pemberton, the Governor of the Bank of England, who argued last week that the EC economy will be unable to operate with irrevocably fixed exchange rates in the near future.

For different reasons, the Bundesbank and the Bank of England are both reasonably content with the status quo. Being in a much less comfortable position, other monetary authorities want quicker moves to a co-ordinated policy and common institutions. They are also concerned about the growing vulnerability of the EMS parities to destabilising speculation, as exchange controls are eliminated .

Questions about the appropriate speed of the move towards Emu and the proper path towards it are important. But Mr Pöhl has raised the still more fundamental one of the destination. He has defined the objective as creating for the EC a central bank with the independence and the objectives of the Bundesbank and he has reconfirmed his desire for control at EC level over member country fiscal policies.

Debased money

Some, most notably the British Prime Minister, will argue that these suggestions are outrageous, because they undermine the principle of democratic accountability. One of the merits of Mr Pöhl's speech, therefore, is that he forces consideration of whether politically managed money – a euphemism for its debasement – is an essential democratic principle.

The notion that money must fall within the domain of day-to-day politics is a 20th-century heresy. At first, money was a commodity; later still, it was linked to a commodity. Painful experience with the modern manipulation of monetary policy suggest that money is more appropriately an element of the constitutional framework of democracy than an object of the political struggle. Monetary stability is a necessary condition for a working market economy, which is itself a basis for a stable democracy. If a non-political monetary framework is, indeed, incompatible with Westminster democracy, so much the worse for Westminster democracy.

Mr Pöhl has brought this constitutional issue into the open. Emu will fail politically if it does not give the members what they want economically. What the West Germans are likely to desire will require a considerable sacrifice of the "sovereignty" that politicians in other member countries hold dear. Mr Pöhl has thrown down a gauntlet. Will the politicians dare to pick it up?

Pluralism in Yugoslavia

YUGOSLAVIA, curiously, has been among the last of the communist states to confront the political monopoly of its leading party, in its case the League of Communists. Curious, because it has long been the freest of the one-party states. Dissenters, of whom the most famous has been Milovan Djilas, were allowed to publish (abroad, until recently) and remained at liberty. The large degree of autonomy accorded to each of the six republics meant that the more liberally inclined – Croatia and Slovenia – have in the past two or three years been evolving without much pain towards pluralism.

The League, however, has been formally wedded to one-party rule. Only now, at the Party congress taking place in Belgrade, is it likely that some sort of agreement can be reached to pave the way for pluralism – despite the opposition of many, especially in the numerically dominant Serbian party.

For too long the apologists for the League's continuing existence and monopoly have used the rationale that it is essential to keep it, and to keep it as the "leading force," because it is the only federal institution which can hold together the jealous republics and the diverse ethnic and religious groups. That has for years been a bad rationale for authoritarianism.

But the question posed by it remains. Can Yugoslavia remain a state if parties are to be formed? That is, can these parties be other than the expression of nationalist interests at republican, and even sub-republican levels?

Pre-war experience

The country had some experience before the last war of a shaky and ultimately unsuccessful democratic system, with parties organised at the federal level. More germane to its present situation, however, is the position of the federal government, traditionally weakened both by the domination of the League and by the power of the republics.

Under Ante Markovic, Prime Minister for the past 10 months, the federal government has seen a slow and unspectacular increase in its powers and competence. He and his ministers have seen that their own credibility depends on the progressive weakening of the League, coupled with a need to demonstrate competence and consistency in the pursuit of monetary and other policies which could address hyperinflation and industrial inefficiency.

In the package of economic reform measures which took effect on the first of this month, the government has shown a determination to confront these ills, and has so far not quailed before the inevitable cries of anguish. The charismatic Serbian President, Mr Slobodan Milosevic – who became a hero to his countrymen for his reincorporation of Kosovo back into Serbia last year – has lost some of his gloss. He now appears to many in Serbia as out of step with the needs of the times.

State survival

There is thus a chance that Yugoslavia can survive as a state without the adhesive of the League. It will depend very much upon the economy, which in turn will depend almost wholly on the country's own efforts. The time is gone when Yugoslavia enjoyed western support because it was outside the Soviet camp. That support is now beginning to pour into the post-communist states, which have in their rush away from communism have left it far behind. But the Markovic government has based its hopes for a liberalisation of the market largely on the practice and ideas of the economically efficient republics of Croatia and Slovenia. The more thoughtful leaders there know that the country has developed a relatively integrated market, and that their tiny states would be at risk if they went off alone.

The chance should now be tested. It would be better for Yugoslavia, better for the surrounding countries and better for Europe, west and east, if it succeeded.

Stephen Fidler describes the controversial Brady initiative on Third World debt

One step closer to a lighter burden

Relations between leading international bankers and the US Treasury have at times in the past 12 months degenerated into rancour unprecedented since the start of the seven-year-old Third World debt crisis.

The root of it has been the new debt initiative launched last March by the US Treasury Secretary, Mr Nicholas Brady. The initiative sought for the first time to use official finance, mostly from the International Monetary Fund and the World Bank, to encourage a reduction in the commercial bank debt of those highly-indebted countries agreeing to economic reform. It changed the focus of the international debt strategy away from new bank lending and towards a lightening of countries' debt burdens.

Sir Kit McMahon, chairman of Midland Bank, is among those to have been rude about the initiative in public, criticising it as "half pregnant". Other leading bankers, blaming the initiative for jeopardising the co-operative approach to the international debt strategy, have been even ruder in private. It has, they say, raised expectations in debtor countries to levels which cannot be justified.

This reaction has been accompanied by a large increase in the cushion of loan loss reserves held by many international banks, particularly in the US, UK and Canada. Although the Brady initiative has been blamed for these increases, for the most part they reflect the approval conferred by bank shareholders on such actions. The moves mean, however, that banks have greater freedom to cause trouble for the Brady plan, or to ease its passage.

On top of that, many international bankers saw themselves being used as pawns of US foreign policy, particularly with respect to Mexico. They have been critical of the abrasive manner of an architect of the new strategy, Mr David Mulford, undersecretary for international affairs at the Treasury. He played a large part in securing agreement in an accord for Mexico on what some bankers saw as distasteful terms.

Yet as Mr Mulford has not hesitated to point out, it was the banks' growing reluctance to make new loans which made a new initiative necessary. Even the chairman of Citicorp, Mr John Reed, a champion of the old strategy, has admitted that "a reasonable man would have concluded that banks were tired of new money."

With shareholders rewarding those banks which were reducing their vulnerability to Third World debt, new lending did not fit in with most banks' strategies. Many were selling their exposure into a fast-growing market where loans were exchanged at big discounts to face value.

If the plan increased the incentives for debtor countries to reform and open up their economies, then it could indeed be a success

Without new lending, the old Baker Plan was grinding to a halt, unable to provide the incentive for debtor countries to introduce economic reforms and leading to weak economic growth. As a result, debtor countries' arrears with foreign creditors were growing rapidly.

By the end of 1988 49 countries were in arrears to the tune of $52bn, up from $41bn at the end of 1987. The co-operative approach between official creditors, banks and debtor governments, which marked the first five years of the debt strategy, was crumbling.

When the then President-elect, Mr George Bush, announced just over a year ago that a review of the Baker plan was under way, his motivation was largely political. Debt remained a central issue as an unprecedented list of general elections across Latin America threatened to bring to power populist governments.

Even though only one Brady deal – for Mexico – has a signing date, early next month, the strategy might be viewed a success from a US foreign policy point of view, in that it took some of the heat out of the debt issue. With many of the elections now over, radicalism has, in the event, not swept the continent.

Another achievement has been, in the words of one western official, that "it made debt reduction respectable." It signalled the long overdue relinquishing of the pretence that the loans banks made so disastrously in the 1970s were still worth 100 cents on the dollar.

The plan also provided the final official recognition that the very size of countries' debt burdens could act as a deterrent to growth. If, in doing that, it increased the incentives for debtor countries to reform and open up their economies, then it could indeed be a success.

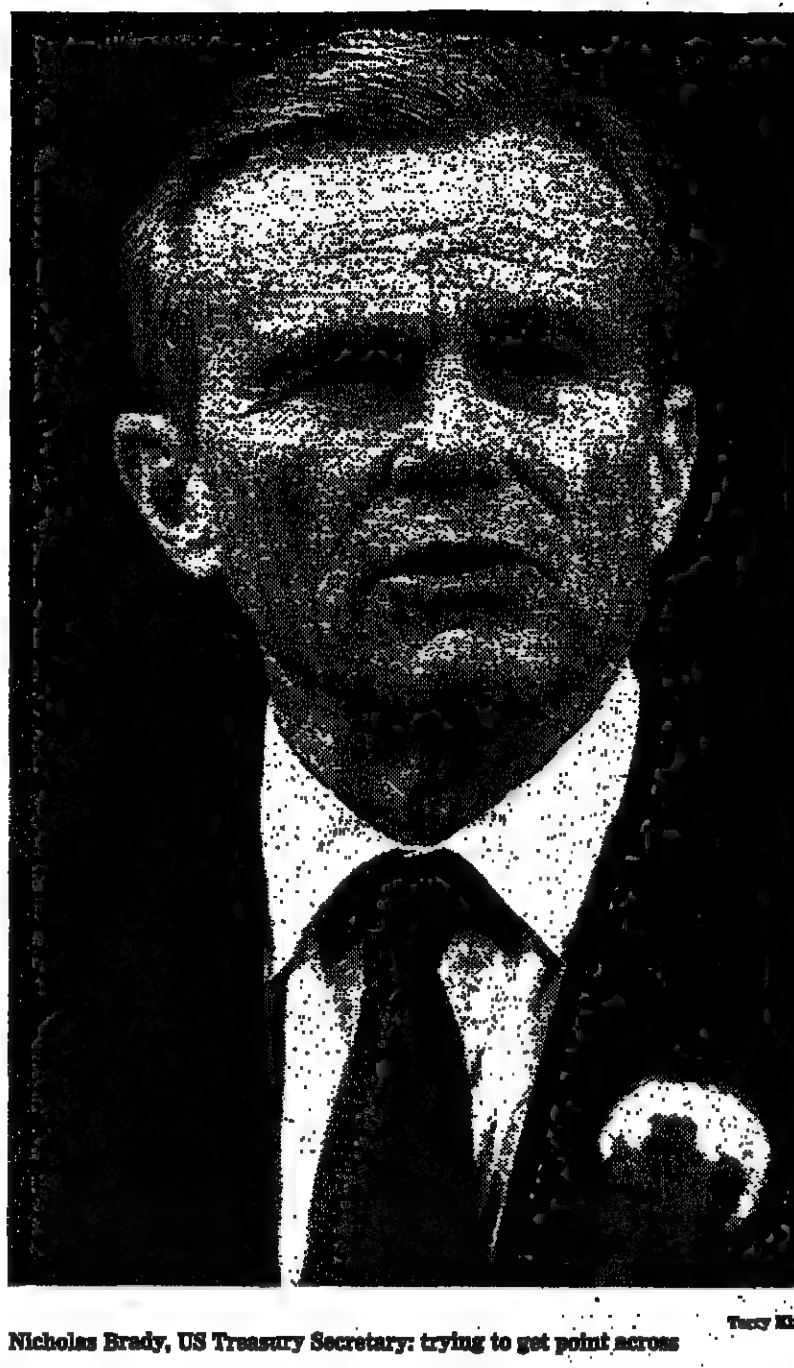
Yet at the same time, the new strategy has been been criticised as flawed in both concept and execution. Mr Brady's speech announcing the initiative called for a relaxation of the conditions in debt agreements by banks to allow a period of intensive reduction of borrowings. This was quickly seen as both impossible and undesirable, threatening a free-for-all as banks sought court orders to grab the assets of borrowing governments.

It also suggested that the negotiations between debtor governments and creditor banks should be as free as possible from interference. But that has far from been the case in two of the three deals so far to have been negotiated: Mexico and Costa Rica. The US Treasury has been forced to play a hands-on role to ensure a deal was forged with Mexico. The complicated rules over the use of World Bank and IMF funds – some may be used to back interest payments, some may not – mean that even when a deal is negotiated, it has to be referred to the official sector before it can be implemented.

But while these and other issues reveal the hurry with which the initiative was launched, they are not necessarily damaging to the strategy.

Much more fundamental is the question about whether sufficient official funds will be available to provide significant debt relief for qualifying countries. About $30bn-$35bn is pledged, some $24bn of which will come from the IMF and World Bank, and the rest from Japan. Other countries have pledged small amounts of support for the Costa Rican package. This compares with the $517.5bn of debt owed by what the World Bank describes as severely-indebted middle income countries, of which there are 19.

The resources available would certainly be sufficient if western governments were to apply more coercion against commercial banks to forgive debts, a step that so far they have felt unable to take. Given a quasi-voluntary format, it is far less clear that there is enough.



Terry Kirk

Nicholas Brady, US Treasury Secretary: trying to get point across

For this reason, the US and the multilateral institutions have increasingly emphasised that aspect of the Brady strategy that called for continuing new lending from banks, even as others were being asked to write down their debts. But if new loans are going to be necessary, then the loss of goodwill from banks and their higher provisions could cause problems for the initiative.

Even then, it is far from certain that the Mexican agreement, assuming it is eventually put into place, is a favourable one from the country's point of view.

An examination of the figures in Mexico's case illustrates the point. The country's foreign debt stands at $102.7bn, according to the World Bank. Of this, roughly $48bn of medium and long-term bank debt is covered by the agreement. Banks covering about 10 per cent of that exposure have agreed to make new loans totalling about $1.2bn. Of the rest, 49 per cent have decided to exchange their loans for collateralised bonds carrying a fixed 6¼ per cent coupon payment. The result: no diminution in nominal debt, but a saving at current interest rates of about 3 percentage points, a net benefit of roughly $700m a year. The rest, 41 per cent are swapping their loans for collateralised bonds at a 35 per cent discount to face value. The result: a reduction of $7bn in outstanding bank debt.

But against that the country is borrowing an extra $5.7bn from the IMF, World Bank and Japanese Ex-Im Bank – at roughly market interest rates – to provide support for the bonds, and using up a further $1.3bn from its own reserves (in effect being covered by the new bank loans).

On this basis, the net benefit to the country is roughly equivalent to the interest saving on the 6¼ per cent bonds, because the reduction of the bank debt is offset by other new borrowing. Far from being a debt reduction deal, there is hardly any lightening in the country's nominal foreign debt burden.

The US Treasury argues that the benefits should be judged dynamically: several years hence Mexico's debt will be much lower than it otherwise would have been.

However, the price Mexico pays for this is much less flexibility with its foreign debt in the future. Unlike the bank debt that it replaces, the loans from the IMF and World Bank cannot be rescheduled. At the same time, Mexico has promised not to reschedule the collateralised bonds it is issuing to banks; and has squeezed out from any future new loans all but a very narrow group of foreign banks.

The immediate consequence of the announcement last July of an agreement in principle was a drop in Mexican domestic interest rates (important because it reduced the cost of servicing the government's onerous internal debt), a rallying of investment confidence and possibly the return of some flight capital. But it is impossible at this stage to judge the longevity of that benefit; interest rates have risen since the announcement. It would not reflect much credit on the Brady plan if it were seen to be merely a placebo.

The near completion of the Mexican deal must raise the odds in favour of the agreements which have been negotiated for the Philippines and Costa Rica being finalised. Both deals still face significant difficulties – but so did Mexico until the breakthrough last week which released more resources to underpin the bonds to be issued under the agreement.

Each is significantly different, showing that a case-by-case approach is, as suggested by Mr Brady, being adopted. The Philippines package has relied much more on new lending than that for Mexico, in part because a reduction of its bank debt alone would not have yielded sufficient benefits to the country. The deal for Costa Rica may be easier to sell: banks are not being asked to put up new loans.

Other countries in the wings are Morocco, whose debt talks with banks are currently stalled, and Venezuela, a controversial candidate for debt reduction since it is regarded as a relatively rich country. Argentina is a candidate, but its interest arrears to banks of over $4bn will be a significant obstacle to overcome. Most important of all is Brazil, the largest debtor which is running up arrears on an agreement with banks it completed only in 1988, where a new government takes over this year.

The road ahead will not be easy. The Brady initiative, despite its drawbacks, has made the important step of conceding the principle that the mistakes of both lenders and borrowers in the 1970s should not remain an undue burden on third world governments into the 1990s.

If this offers hope to some countries, it has thrown more starkly into relief the problems of countries that fall outside the Brady initiative. Countries such as Poland are burdened by debt but most of it was lent as export credits by western governments. So far, governments have not conceded that they should forgive trade debt, except to the poorest African countries. It is a position that will become increasingly untenable, and already the World Bank has urged creditor governments to consider changing it. Whether or not it happens in 1990 – and many western government officials would not rule this out – this is likely to be the next important step for the international debt strategy.

OBSERVER

The search for "Z"

■ Tracking down "Z", the anonymous author of the treatise on why the US should not come to the rescue of Mikhail Gorbachev, is proving somewhat trickier than expected.

Observer received an authoritative tip that Z is Thomas W Simons, who served as a top diplomat at the US Embassy in London before becoming deputy assistant secretary in the State Department's European bureau during the Reagan administration. Currently on a year's leave of absence at Brown University on Rhode Island, he was reached at home yesterday and confronted with the tip.

"Cock," he replied courteously. Asked for clarification, Simons said he had "no idea" about Z's true identity – though he had heard that it could be a "Brit". A chuckle followed, as he began to develop the idea of shifting the hunt for Z across the Atlantic. The names mentioned included Leszek Kolakowski of All Souls College, Oxford and Sir Curtis Keeble, a former British Ambassador to Moscow.

Back in the US, one often-mentioned candidate – James Billington, the Librarian of Congress – seems to have ruled himself out. Billington – tipped as a future US ambassador to Moscow – has just begun a series of lengthy articles on the Soviet Union for the Washington Post. Since the original Z article appeared anonymously in the New York Times – the Post's arch rival – it seems a safe bet that Billington wants to dispel the speculation and get his true views on record.

Z's desire to remain anonymous is the main reason why many suspect that he (or she) is either serving in the US government, or has an intimate connection with the administration, and therefore cannot afford to be departing from the party line. Front-runners include Robert Gates, the deputy national security adviser and a notable sceptic about Gorbachev's chances of survival, and Dennis Ross, head of the State Department's policy planning bureau.

The Z pseudonym is a deliberate echo of the original "X" article penned in 1947 by George Kennan – also head of policy planning – who set out the doctrine of "containment". Then as now, somebody in high places wanted to stir the debate on US policy toward the Soviet Union.

But if you pay someone the compliment of supposing that they might be Z, they almost invariably respond that the piece is not as good as Kennan's.

"I wonder what Jim Callaghan would have done?"

In the mind

■ Things are getting so bad on the Afghan Front that some of the US backed mujaheddin commanders have taken to the psychiatrist's couch.

The strain of fighting the forgotten war has driven former heroes such as Ishaq Said to the Afghan Centre for Psychiatry where a valiant German doctor is battling to cope with queues of guerillas with manic depression. "They cannot understand why they cannot defeat the Afghans when they drove out the Soviet army", explains an assistant.

The Centre is in the Pakistani border town of Peshawar, which serves as headquarters to the resistance. It was set up with Western funds primarily to help women refugees and former prisoners of the communist regime. Today the most common clients are wildmen of the mountains who vow they were born with guns in their hands and beat off Soviet tanks with stick and stones.

"I just don't want to fight any more," says Commander Said. American policy may remain one of fighting to the last Afghan, but at least the Americans are picking up the psychiatrist bills.

Redundant "s"

■ Launch of a minor campaign: it is time to get rid of the double genitive. "He is a friend of John Major's," for example, is a grammatical nonsense. The "of" has already done the work of the final "s". You see it – and hear it – all over the place.

Brokers' litter

■ Inspired perhaps by the recent discovery of a £4m bond in a City of London street and the hint of rich rewards, a colleague glanced yesterday at the cast iron litter bin on Southwark Bridge. Neatly stacked inside were 30 clean white envelopes originating from First Boston Corporation and Shearson Lehman Hutton in New York. They appeared to contain brokers' intelligence reports.

The envelopes were addressed to a number of London subscribers, including the National Coal Board Pension Fund, RTZ Corporation, Alliance Capel Management International and Mr William Rickett of the Department of Energy. They have been salvaged and re-directed.

Shearson Lehman's London post-room did not sound entirely surprised. "Some have also been found in King William Street", an employee said. Not far from Throgmorton street, where the £4m bond was found.

Breakthrough

■ GEC scientists say they have found a new way of joining ceramics – with a nail.

For the sceptic convinced this will merely lead to more bits of broken pot, there is a photograph in the latest issue of the erudite GEC Journal of Research apparently showing a hammer driving a nail into a small square of "ceramic matrix composite".

It illustrates what they call the "non-classical mechanical properties" of the novel kinds of ceramics they are exploring at the GEC Alsthom Engineering Research Centre in Stafford.

Such materials have come a long way in the two decades since 4 lb birds shattered Rolls-Royce's hopes of using a mixture of carbon fibre (a ceramic) and plastics to make a much lighter fan blade for its RB211 engine.

It seems that the trick is to disperse something called secondary phases throughout what would otherwise be a brittle substance to cushion shocks. This allows it to fail gracefully rather than catastrophically, as they put it. The process is thought to be so reliable it is even being recommended for body armour.

Marooned

■ Graffito on a placard outside a West Midlands travel agency: "Beggars can't be cruisers."

LETTERS

UPI's sale: 'another step in the wrong direction'

From Sir William Barlow.

Sir, The purchase last week by Japan's largest ball-bearing manufacturer of Britain's only ball-bearing company UPI (formerly RHP) is an example of the patient determination of the Japanese to dominate strategic industries.

Your article ("Japanese play a mean pin-ball," January 18) accurately describes how RHP was formed under pressure from the British Government in 1969 to avoid the existing three British firms falling under the control of the Swedish SKF company to maintain a British capability in this essential strategic product. No vehicles, aircraft or machinery can function without ball bearings, which are precision products manufactured from specialist alloy steel.

I was chief executive and chairman of RHP from its formation until 1977. After paying off the initial government loans in 1971, we went ahead to modernise the factories and rationalise the product lines. We organised joint ventures in some lines with European Community competitors. The company became an effective international competitor. The exercise became a much taught case study at international business schools.

In the early 1970s the EC bearing market was attacked by low-priced imports of the most popular, high-volume types of bearings from Japan's four leading manufacturers of which NSK was one. This led to heavy dumping fines being imposed and paid, but not before they had achieved considerable market penetration. NSK had talks with RHP about technology agreements and joint ventures, but RHP was afraid this would lead eventually to loss of control.

In 1973 the Heath Government, after talks with Prime Minister Tanaka of Japan, said it would welcome inward investment from Japanese manufacturers and NSK got approval to build a greenfield new factory at Peterlee, Durham to make popular, high volume sizes only. RHP protested vigorously against this because it already had adequate capacity to supply the British market. From Peterlee, NSK was able to supply bearings "Made in Britain" and export them in the EC. The Japanese are content with a lower return on capital than can be accepted by a British plc and price pressures on popular sizes caused RHP later to reduce capacity and a relatively modern plant in Durham was eventually closed.

Now 15 years later with great patience, NSK has achieved its objective of dominating the UK market.

With a deplorable lack of patience the financial institutions and venture capitalists have taken a fat profit only two years after launching UPI. As a result management shareholders will receive cash beyond their dreams and retain their jobs, at least for the time being.

The City will doubtless regard this as a successful financial foray. Our financial institutions often claim they are real investors but many cannot resist the temptation of a short-term gain and industry cannot rely on their loyalty.

As the Government seeks inward investment it will probably not bat an eyelid. The supply of high technology bearings for aero-engines for the RAF and Rolls-Royce now all depends on foreign-owned companies, as do the bearings for all our vehicles and machinery, but current industrial policy, or lack of one, accepts this type of situation.

So why worry? I worry because I see the progressive weakening of Britain's industrial manufacturing and with it a long-term threat to our economic strength and the sale of RHP to a Japanese company is a significant further step in the wrong direction.

William Barlow,
Third Floor,
Devonshire House,
Mayfair Place, W1

Improving BR's performance

From Mr Donald Davies.

Sir, David Sawers ("Removing the politicians from the driver's seat," January 9) appears to reach the unrealistic conclusion that privatisation of BR would be a panacea. What type of privatisation has Mr Sawers in mind?

There are five ways of privatising BR: a single company; breaking up the network into BR's five business sectors; recreating the pre-war system of vertically integrated regional companies; handing over the railway infrastructure to a national track authority to allow competition in the provision of train services; or a hybrid approach involving elements from these alternatives.

None of these methods is viable, nor would they produce any essential improvement on today's BR, on the basis of financial limitations/restrictions currently applicable.

It would perhaps be helpful if Mr Sawers clarified what particular privatisation would be a panacea for BR and how exactly it would improve conditions for both passengers and freight.

All would agree that the management of BR must improve radically, but do we have to privatise? This Government's answer to almost everything is to privatise and I feel that we are all getting caught up with the illusion and not always considering each case on its merits.

BA improved its management and financial performance before being privatised which is proof enough that privatisation is not necessarily the ultimate solution.

Donald Davies,
chairman, SDP Transport Policy Group,
604 Queen's Quay,
58 Upper Thames Street EC4

Ambulance dispute: one answer

From Mr Nicholas Mendes.

Sir, A solution to the impasse facing the National Health Service and the trade union movement over the ambulance dispute would be to close the ambulance service and transfer the highly skilled and trained emergency crews to the Fire Service.

There they would form part of an equally highly trained and skilful, caring, professional service. They would be able to share premises, resources, management and pay with the firemen and women.

The balance of the ambulancemen and women who ferry patients to and from hospitals, out-patient clinics and other places would be moved into the private sector.

They would join bus, coach and taxi businesses and continue to provide the same Monday to Friday, 9 am to 5 pm service as before the dispute.

The results: the NHS would lose a service it is patently unable to manage; a new highly proficient emergency service would be created; the NHS would save much needed funds because the private sector would ferry around its non-emergency patients at considerably lower cost.

There must be something wrong with the idea as it seems all too logical.

Nicholas A. Mendes,
Orchard House,
44 Oakland Avenue,
Droitwich,
Worcestershire

Fundamentalism in Sudan

From Ms Gill Lusk and Mr Peter Moszynski.

Sir, "The only likely scenario for an Islamic revolution now would be a coup by Islamic fundamentalists . . . ," writes Michael Field ("Living in fear of the mosque," January 13). This is precisely what happened in the Sudan on June 30 last year, when an ostensibly military-nationalist putsch overthrew an elected civilian government.

The fundamentalist nature of the Khartoum Government has escaped widespread notice because the Islamists have made their positions clear only very gradually. Senior members of the fundamentalist National Islamic Front (formerly Moslem Brotherhood) now hold key positions not only in the Government but also in the civil service, army and other public bodies. Judges have been directed to implement Islamic punishments suspended since 1985.

This situation might remain a matter of largely domestic interest were it not for two facts. First, at least 30 per cent of the Sudanese are not Moslems. The Government's proposal for a federal political system based on Islamic law, with a provision for alternative laws for "states" (presumably of the non-Moslem south) which so wish, is widely considered unworkable.

Under the pressure of the six-year war, around half the southern population has fled to the predominantly Moslem north. The rebel Sudanese People's Liberation Army rejects the proposal. The plan therefore holds no hope for an end to a most devastating war.

Further, the Government is indulging in large-scale human rights abuses, amply documented in recent reports by Amnesty International and Africa Watch. These are occurring not only in the war zone, where the abuse of civilians has long been a feature of the war, but also in the north, especially Khartoum.

Most of the victims are doctors, academics and other professionals. And nearly all are Moslems.

Gill Lusk and Peter Moszynski,
Peace in Sudan Group,
c/o 24 Tressillian Road, SE4

Tunisia change

From Mr Abdelwaheb Abdallah

Sir, Michael Field wrongly describes the constitutional change that occurred in Tunisia on November 7 1987 as a "coup." In fact Article 57 (now abrogated) of the Tunisian constitution provided that "in case of a vacancy of the presidency caused by death, resignation or total incapacity, the Prime Minister is immediately vested with the presidential office." The incapacity of former President Bourguiba was certified by seven eminent doctors.

Among the "various concessions" Mr Field cites is the "allowing of ministries to close for prayer on Friday afternoons." Ministries in Tunisia have, since 1956, been allowed to close on Friday afternoons.

Abdelwaheb Abdallah,
Ambassador,
Tunisian Embassy,
29 Princes Gate SW7

More light at the Royal Opera

From Mr Michael Colder.

Jeremy Isaacs's statement (Letters, January 10) that 91 per cent of the seats at the Royal Opera House are sold, and therefore the opportunities for raising further revenue from extra sales are limited, is a little disingenuous. The 91 per cent applies to the performances and the house is dark far more frequently than, say the West End theatres. Indeed, at the end of August and the beginning of September the house is almost continuously dark.

Mr Isaacs appears to indicate that nearly 5 per cent of the tickets are being given away. It would be interesting to know what proportion of the revenue, as opposed to the seats, is given away, as no doubt it is the most prestigious productions and best seats that are involved. Five per cent of tickets given away on a first night would be excessive, but 5 per cent of all tickets for all performances, means the rest of us are probably paying about £10 extra for a pair of stall tickets.

Michael Colder,
Lyegrove,
Badminton, Avon

Pay claims and the better-off

From Mr S.D. Dover.

Sir, In recent years the better-off have had their tax rates reduced substantially – from a top marginal rate of 85 per cent to 40 per cent. They have also been the beneficiaries of exceedingly large salary rises. As the owners of shares they have had dividend rises averaging many percentage points above inflation. In the next few weeks their local taxes (rates/community charge) will be halved.

Is it surprising that the average worker is asking for a bit of the cake he helped to increase. Ten per cent is only inflation + 2 per cent. I guess that most FT readers have had disposable income rises of more like inflation + 10 per cent in the past 12 months.

S.D. Dover,
17 Heath Hurst Road, NW3

The basic balance: unavoidable message for the Chancellor

From Mr Michael Pain and Mr Peter Westaway.

Sir, The research on the basic balance in the November edition of the National Institute Economic Review has generated an interesting debate in the FT and in government circles. We would like to reply to some of the points raised and to clarify certain issues.

We define the basic balance as the sum of the current account and net outflows of direct and non-bank portfolio investment. This measure has moved from an average deficit of 1.3 per cent of gross domestic product over 1979-88 to a considerably larger annualised deficit of 9.8 per cent of GDP on the latest figures for 1989. While we forecast that this deficit will decline somewhat over the next year, we would argue that the Government's attitude to recent development is too sanguine.

It has been argued that capital flows (long-term or otherwise) ought not to concern policy since they will automatically cancel any current account imbalance. This is misleading, but so is the idea that the deficit must be actively financed by attracting the requisite levels of hot money to balance the books. The purchase of either an import or an overseas security will be automatically financed when the payment is transferred to the bank account of the foreigner; this counts as a banking sector capital inflow. In both cases, there is an underlying transaction and an accommodating banking sector flow. It is the sum of the underlying transactions which constitutes the basic balance.

This basic balance will matter because overseas residents will be less likely to hold their newly acquired deposits in sterling. *Ex ante*, there will be more net sterling deposits than people want to hold. The exchange rate must fall or the interest rate must rise to match demand and supply, the size of the change depending on the sensitivity of investors to the relative return on sterling and foreign currency. The problem is not whether the deficit can be financed but how.

Two main arguments are advanced to suggest why the basic balance may not be an appropriate policy concern.

First, the sectoral balancing item is claimed to distort the picture. While it is undoubtedly large, it does not negate the essential message. Allowing for an estimated balancing item of £15bn in 1989 only reduces the deficit to 7 per cent of GDP. The balancing item may be able to "explain" away part of the current account deficit or part of net longer term capital outflows but it cannot account for both.

Second, the increased liquidity of international investments and the dominance of speculative elements is said to render the basic balance meaningless. We also find this unappealing; due to international portfolio diversification highly liquid individual investments may be consistent with much less volatile levels of aggregate investment in a particular region.

Of course, so called "long-term" flows will depend on both structural (wealth, exchange controls) and speculative (expected relative return) factors. Using the expectational effects embodied in our econometric model of portfolio investment, (see NIESR Discussion Paper 165) we estimate that for the first three quarters of 1989 such effects only account for some 25 per cent of recorded net portfolio outflows. Although the uncertainty surrounding these calculations should not be underestimated, the analysis suggests that the recent deterioration in the basic balance is due to identifiable structural trends rather than short-term speculative factors.

The upsurge in outward portfolio investment reflects the continued acquisition of £20bn-£25bn per annum of contractually related savings by the main investment institutions along with an absence of suitable domestic investments with firms issuing little new equity, and the public sector maintaining its buyback of gilts.

Overall our analysis suggests that a blinkered focus on the current account deficit alone may be misguided. Equally, it reveals that the existence of liberalised capital markets is no guarantee against downward pressure on the exchange rate. Although this does not mean that a given basic balance deficit implies an imminent collapse in the exchange rate, the message for the Chancellor remains unavoidable. So long as the basic balance remains large, it is hard to see how UK interest rates can be cut significantly without risking a big fall in the exchange rate.

Nigel Pain,
Peter Westaway,
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FOREIGN AFFAIRS

Not quite Armageddon yet

The UK would be unwise to abandon negotiations on Hong Kong, reasons **Robert Mauthner**

Armageddon, so frequently forecast for 1997, when Hong Kong will be handed back by Britain to China, threatens to overcome the colony every day when one is there. At least that is what the local media and many of Hong Kong's representatives would have one believe.

Every comma of the tortuous negotiations between Britain and China and the work of Chinese drafting committees on Hong Kong's Basic Law – the territory's post-1997 mini-constitution – is examined under a microscope for possible flaws and deficiencies. Every negotiating session with Peking, even when conducted by minor officials, is treated as if it were the Congress of Vienna.

Though such a hot-house atmosphere can lead to distorted views of the real state of negotiations, its existence is hardly surprising, given that the fate of 5.7m people is at stake. Notwithstanding the undertaking in the 1984 Sino-British Declaration that Hong Kong's capitalist system will be preserved and that it will continue to exercise "a high degree of autonomy," the fact is that the territory is being transferred to the most hard-line communist regime in power in the world today.

What is more, that regime was responsible for violently suppressing, only seven months ago, the very democratic rights which the people of Hong Kong – very belatedly – are trying to enshrine in their future constitution. Great vigilance to ensure that both the letter and the spirit of the Joint Declaration will be reflected in the practical provisions for the administration of Hong Kong after 1997 is therefore required.

That is all the more true since Peking regards with extreme suspicion even the very modest democratic reforms proposed by Hong Kong's representatives and does not accept that they are required to bolster the confidence of the people of the colony, shattered by the events in Tiananmen Square in June last year. Indeed, the Chinese look upon even Hong Kong's modest (by western standards) demands for democratic reforms, with hostility.

Those in regular contact with the Chinese authorities – and that includes a growing number of Hong Kong businessmen as well as officials – all agree that the Chinese Government is haunted by the recent developments in eastern Europe. To grant Hong Kong the degree of democracy it is demanding in the longer run is considered in Peking to be a highly dangerous exercise. A legislature with a majority of directly elected members, it is felt, could easily become a contagious forum of dissent, which could quickly infect the whole of China.

Seen from Peking's point of view, it is not an unreasonable fear. If overthrown in a popular revolution, those responsible for the crushing of demonstrations throughout China could expect little mercy.

Peking's first priority is still at this moment to reach an understanding with Britain – "convergence" as the jargon has it. In spite of its fears of permitting Hong Kong to become a hotbed of political dissidence, the incentives for reaching such an agreement are clearly substantial. If it has the seal of Britain, a member of the European Community, on it, a deal would help to break China's post-Tiananmen diplomatic isolation, as well as improving the atmosphere for an eventual resumption of trade relations between China and the West.

All agree that the Chinese Government is haunted by the developments in eastern Europe

That, no doubt, is an important bargaining counter in the hands of Britain and Hong Kong, but it is by no means the ultimate trump card. For the bottom line is that the colony will revert to China after the expiry of Britain's lease in 1997, agreement or no agreement between London and Peking on the Basic Law.

Unforgettable though this fact of life might seem, some of Hong Kong's representatives and British members of parliament give the impression as if the colony's interests would be better served if Britain dropped "convergence" altogether. London should go ahead here and now with its own plans for direct elections, broadly based on the joint proposals of Hong Kong's Executive and Legislative Councils (OMELCO), according to this view.

The doubtful argument upon which this proposition is based is that, once a viable system of direct elections is in place, it would be difficult for Peking to reverse it in 1997 because of the international odium that would be heaped upon its head. China would be seen clearly as responsible for reversing the democratic process. In reply, it hardly needs to be pointed out that those who crushed peaceful students' demonstrations with tanks are unlikely to hesitate very long before reducing the number of directly elected Hong Kong legislators by 10 or 12. To introduce more democracy unilaterally in the run-up to 1997, only to see the process reversed a few years later would be more damaging to the confidence of the people of Hong Kong than if it were implemented at a slower rate in the first place.

That does not mean that "convergence" with China should be pursued at all costs, but that it should remain the objective until the last possible moment. Within the next two months, the day might come when Britain, because of Chinese inflexibility, would have no choice but to take a decision on the introduction of democratic reforms on its own. But the doomsday comments that followed last week's unsatisfactory meeting of a Basic Law drafting sub-group, obscured the fact that the negotiations still have several weeks to go, including a crucial plenary session of the drafting committee next month and a long interval before the Basic Law is finally promulgated by the National People's Congress in Peking in March or April.

It is as well to be clear from the start what the basic objectives of the brinkmanship tactics to be adopted in the coming weeks should be. Understandably, but inevitably disappointed by what they consider to be an inadequate and divisive passport package, the people of Hong Kong see their salvation mainly in a system which will preserve their prosperity and way of life by giving them a real say in their own affairs. Contrary to the belief in Peking, that is not an ideological but a practical issue in the minds of the down-to-earth Cantonese.

The stated British aim, with the approval of most of Hong Kong's representatives, is that a democratic system should be progressively implemented, starting in 1991 and continuing steadily after the take-over by China. It is not so much a matter of numbers of directly elected representatives, important as that is, as of continuity.

Though the latest proposals by Peking provide for much too slow a pace of democratic reform, start with too few directly elected representatives and foresee a complicated bicameral system of voting plainly aimed at clipping the wings of democratically elected members of the new legislature, it is an improvement on the previous Chinese draft. And, while going no further than the direct election of half the legislature in the year 2003, it nevertheless implies acceptance of the important principle of continuity.

That demonstrates that Peking's position is still moderately flexible. As long as that is the case, it would not only be foolish, but irresponsible to break off the negotiations and thus free Peking from taking into account in Hong Kong's Basic Law the views of the other principal party.

Whichever way one looks at the problem, Hong Kong's economic and political future is intimately tied to that of China. But if no agreement can be reached at the outset on the political conditions for the creation of two systems within one nation, the future outlook for the partnership can only be turbulent.

FINANCIAL TIMES
Tuesday January 23 1990

HIGH TECHNOLOGY EXPORTS

US may ease trade with east bloc

By Nancy Dunne in Washington and William Dawkins in Paris

THE US is ready to open up export controls on the sale of high-technology products to eastern bloc countries which have adopted political and economic reforms, the White House said yesterday.

Mr Marlin Fitzwater, the White House spokesman, said President Bush had ordered "an expeditious and comprehensive review of how to adapt our export controls to the changing strategic picture."

The countries likely to be assisted include East Germany, Poland, Hungary and Czechoslovakia, all of which have been moving away from communist domination towards adopting capitalist approaches to their weak economies.

Ambassador Allan Wendt, the US State Department official overseeing strategic technology policy, and other US officials are travelling around European capitals this week to notify allies of the new US position. It was approved last Friday by an inter-agency group under the auspices of the National Security Council.

The relaxation in Washington's policy towards Cocom will take the first practical effect on its rules controlling the export of sensitive goods to the eastern bloc within weeks, Cocom observers say.

The likely next step will be a meeting next month of middle-ranking officials from Cocom member governments, known as the executive committee, to agree a streamlined system for processing export requests.

The same meeting is expected to set up an experts' group to forge outline agreements on lifting controls entirely on a package of selected products.

They will focus on the controlled goods where Cocom's European members have been arguing for the most urgent liberalisation, high-tolerance machine tools, powerful computers and some kinds of telecommunications equipment and cables.

A meeting of sub-ministerial officials in July would then be in a position to give its final approval for the liberalisation of these products. Officials believe Cocom members would be able to change their own strategic trade controls by September.

Although the policy would boost sales of sophisticated technology to the eastern bloc, the US is still not prepared to go as far as European allies would like towards liberalisation.

The process that led to Washington's change of heart began when the US found itself isolated at a meeting in Paris last October. The pace of change in eastern Europe then triggered a round of emergency bilateral talks between the 17 Cocom capitals in the following two months, culminating with a meeting of officials in Washington, said observers. Militarily sensitive technology would still require export licences, but the US Government would make clear that it is "favourably disposed" towards granting exceptions of pre-approved levels.

For exports up to a specified level of sophistication - equal to technology now approved for China - governments would not have to get prior approval from Cocom but would notify the agency and allow some time for objections by any allies.

Since the changes in the eastern bloc countries, the US has lagged behind its allies in its notions of how much liberalisation ought to be allowed.

The Pentagon apparently agreed to the easing but wants to add, rather than remove, products from the controlled list for the Soviet Union.

● David White adds: Mr Wendt held talks with British officials yesterday to explain changes in US policy. He then flew on to The Hague.

The UK, along with Japan, has so far been relatively close to the US in its cautiousness about releasing technology deemed to have potential military significance.

But it has been insistent that the mechanism of Cocom should reflect purely strategic concerns and should not be used as an instrument of economic policy.

Modrow offers opposition coalition deal


Modrow: country in desperate position

EAST GERMANY'S provisional communist Government wants to turn itself into a real coalition, including representatives from the new opposition groups, for the transitional period until the free elections on May 6, writes **David Goodhart in Bonn.**

Mr Hans Modrow, the Prime Minister, said yesterday that the offer to the opposition "was not a display of friendliness" but was required by the increasingly desperate position of the country. Leading members of the East German Social Democratic Party and of Democratic Awakening said that they would take part in a coalition, but only if convinced that the stability of the country required it.

Although the existing government is nominally a coalition it only includes members of the four "block" parties which have traditionally been allied with the communists. An announcement on whether a coalition is to be formed is expected at the next "round table" meeting tomorrow between government and opposition representatives. The government, and most of the opposition, are prone to exaggerate the degree of instability inside the country.

But some East German business leaders are increasingly worried about the break-down of discipline in the factories. Also the statistics about the country's economic and environmental mess have initially depressed as much as enlightened people. One report has even claimed that people in the Leipzig area are dying on average five years earlier than they should because of pollution.

Such news is not stemming the outflow to West Germany – said to have included 10 per cent of the country's doctors since the flow began at the end of last year.

● A new East German political party, the German Social Union (DSU), has been formed to occupy the largely vacant space on the centre-right of the political spectrum.

Haughey 'would consider' new UK accord

By Kieran Cooke, Ralph Atkins and Our Belfast Correspondent

THE IRISH Government is prepared to consider a replacement to the 1985 Anglo-Irish Agreement, Mr Charles Haughey, the Irish Prime Minister, said yesterday.

In a carefully worded statement, Mr Haughey repeated his offer to hold direct talks with Northern Ireland's Unionist politicians. He said the existing agreement was not immutable but was "a process" aimed at tackling the problems of Northern Ireland.

His comments represented a conciliatory gesture towards Unionists, who have consistently opposed the agreement. The statement is likely to help improve relations between the Unionists and Dublin, but few expect it to herald more than a small step forward.

Mr Haughey said that if "a new and more broadly based" agreement could be reached, the Irish Government "would be prepared to contemplate, in agreement with the British Government, a new and better structure, agreement or arrangement to transcend the existing one."

He said his Government would continue to work the existing Anglo-Irish Agreement "unless and until it is transcended by a new and more comprehensive arrangement."

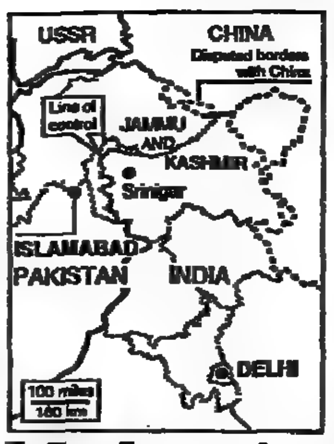
Last night, Unionist leaders were considering Mr Haughey's statement. Earlier Mr James Molyneaux, leader of the Official Unionists, said remarks at the weekend by the Irish Prime Minister marked "a move in the right direction."

Mr Haughey had "said what the Northern Ireland Office ministers have refused to say – and that is 'we are prepared to be reasonable and look at an alternative agreement'," Mr Molyneaux maintained.

Mr Peter Robinson, the Democratic Unionist Party's deputy leader, said Mr Haughey's comment on an alternative agreement was welcome and had been put in plainer terms than anything the British Government had previously said.

In London, the Northern Ireland Office described yesterday's developments as "encouraging." Mr Haughey's statement was not thought to go much beyond previous comments, but its tone was said to be helpful.

Mr Peter Brooke, Northern Ireland Secretary, who is in the US, has argued that he is prepared to be flexible in operating the agreement and that any move to devolution in the province would have implications for the agreement's future.



Moslems in Kashmir continue to defy curfew

By David Housego in Srinagar, India

LARGE Moslem crowds in Kashmir clashed with security forces yesterday defying a government curfew for the third consecutive day as the state faced "revolutionary" situation according to a senior police official.

This could be the most serious of all India's regional ethnic disputes as it involves disputed territory with neighbouring Pakistan.

At least eight people were killed and many injured in clashes in Srinagar, summer capital of the India's only Moslem majority state, Jammu and Kashmir. Security forces fired to disperse crowds in the downtown district of the capital, where up to 10,000-15,000 demonstrators had gathered.

Since the death of up to 40 people in clashes at the weekend, security forces have been under orders to use only tear gas and baton charges to break up crowds.

Yesterday's demonstrations were sparked off by anger the death toll which some estimates put at 300. Though this is clearly a great exaggeration, it reflects a willingness to believe the worse of the authorities.

Moslems in the state have been campaigning to win independence or a merger with Pakistan, which controls a third of the territory. The most recent clashes were triggered by a crackdown on Moslem militants after the state government quit and New Delhi took over.

Police at the control headquarters of Jammur and Kashmir force went on strike in a dispute between the regular army and the local police – severely disrupting the security operation.

A senior police official said that he had never seen such a defiance of government and police authority in Kashmir. He described the situation as a "mini-Romania" in the sense of comparable confrontations between people and government – adding that he fears "a bloodbath."

Two-days of talks between Mr Sahabzada Yaqub Khan, Pakistani Foreign Minister and the Indian Government began yesterday. An Indian Foreign Ministry spokesman said Kashmir was one of the issues discussed.

THE LEX COLUMN

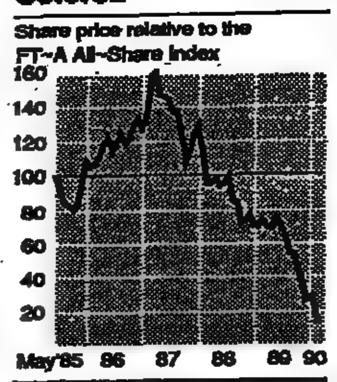
Coloroll's back to the wall

Yesterday's grim statement from Coloroll illustrates three simple points. First, the downturn in consumer spending is now reaching beyond the retailers to hit their suppliers. Second, companies thrown together in the easy eighties are liable to come apart in the nasty nineties. Third, these ideas have not yet been fully discounted by the stock market, as yesterday's 53 per cent slump in the Coloroll share price attests.

It was bad luck that news of Coloroll's financial crisis came on the same day that Lowndes Queensway's shares resumed trading. Coloroll's share price performance in the past three years has been so awful that the contrarian might ask how it could get worse. Yesterday's halving of the Lowndes price to 4½p is a reminder that, in home furnishings these days, anything is possible.

Valuing Coloroll as it stands is scarcely feasible. Operating profit this year might reach £30m. But in its haste to sell off subsidiaries, Coloroll incurred contingent liabilities of £40m which should guarantee a net loss for the year. Though some £50m of disposals are hoped for by the year end, a final dividend looks scarcely likely. Since flotation in 1985, the company has issued equity to the value of £400m and run up £140m in debt; at 29p, its market capitalisation is now £62m. Prevailing on shareholders to put up more capital, as is plainly envisaged within the next month or two, will take some ingenuity.

Since the proposed restructuring sees the £140m of debt as an absolute ceiling, there are tight times ahead. As for predators, some of those rumoured are in little better case themselves. Nor is it clear how much brand names like Kosset, Crossley and Edinburgh Crystal would be worth in the present market. There must be other Colorolls waiting to happen, in the furnishings market or out of it.



Markets

Even Tokyo's rally failed to prevent another gloomy day on the London equity market, which continues to take its cue from Wall Street. There is a certain logic to this slavish dependence, since a hefty proportion of UK companies' overseas earnings come from the US. And judging from the US results season, in which even old reliables like Kellogg are crumbling, the other side of the Atlantic will provide precious little support.

There remains plenty for traders to be gloomy about without gazing overseas. The British manufacturing sector was supposed to respond to sluggish consumer demand and sterling's decline by switching production to export markets. But there was precious little sign of an export drive in November's 0.7 per cent fall in manufacturing output. At that rate, any decline in the trade deficit will have to come from a fall in imports, which probably implies a much harder landing for the UK economy than is currently expected. Such statistics as have already been published are showing a tendency to static revenues and rising costs – with profits being squeezed in the middle. Yesterday's news from Coloroll will not be the only disappointment in the results season.

There will come a point when all this bad news will be in the price. Some may see Footsie's fall below 2300 as a buying opportunity. But it might be better to wait until the implications of the recent rise in bond yields have worked their way through the system.

BT/Mitel

It would be dangerous to read too much into British Telecom's decision to try to sell its majority stake in Canada's Mitel, but it is an encouraging move. Mitel was BT's first major acquisition and has been an embarrassment for Britain's biggest public company. BT's strategy of trying to get into the manufacturing business never made much sense; and while Mitel's subsequent losses are minute in relation to BT's annual profits of £2.3bn, they are not a good advert for acompany which is having difficulty persuading investors it is interested in maximising shareholder value.

Mitel will probably just about break even this year in a market which is fiercely competitive. Given that it no longer offers BT any obvious strategic benefit and that its problems have occupied far too much management time, it can be written off as the mistake of a previous BT regime. Even though BT will be lucky to get back a third of its original investment, it needs to be seen to be working its portfolio actively. If Mitel has taught BT's managers how not to make an overseas acquisition it will have served some purpose. The sums BT has at risk in subsequent overseas investments, such as McCaw and Tymnet, mean that it cannot afford to make the same mistake again.

Convertibles

There is more than meets the eye to BZW's intriguing concept of a £70m investment trust entirely invested in sterling convertible securities. If the only securities it could choose from were plain-vanilla UK convertible preference shares, it would be hard to see how the trust could achievethe projected yield of 10 per cent, at acceptable levels of risk.

Of the 120 UK convertible preference issues with a market capitalisation of more than £15m, a disproportionate number are from smallish, acquisitive companies. Some sectors - notably banks, insurers, oils, and pharmaceuticals - are barely represented at all. Add to that the fact that there are few truly top-grade convertible issues yielding more than 10 per cent - a typical blue chip, Bowater 7.75 per cent, yields exactly that - and one can see difficulties in achieving BZW's goal, barring a serious bear market.

So its success actually depends on ranging beyond mainstream UK sterling convertibles into areas like Eurobonds; and on producing synthetic convertibles, by clipping together warrants and straight loan stock. This has two implications. First, only a securities house with a sizeable research base will be able to copy BZW. Second, it will be very hard to find after 12 months a good yardstick for gauging just how well the BZW trust has performed. But that, curiously enough, is a problem for the UK convertible market generally, where proper performance indices are badly overdue.

Call for regulation of European labour market

By John Gapper, Labour Editor, in London

FURTHER Europe-wide regulation to ensure free movement of workers across borders was called for yesterday by Ms Vasso Papandreou, the European Social Affairs Commissioner.

Addressing a Financial Times conference in London on European employment patterns, Ms Papandreou admitted that a European labour market was currently "more of a concept than a reality." Although some specialised Europe-wide labour markets were developing, movement across boundaries within professional groups remained small.

"Flexibility, transparency and mobility" had to be created by a deregulatory approach at national level. But this needed to be reinforced by regulation by the European Commission.

Acting in favour of the development of a single labour market were reductions in obstacles to mobility such as different tax regimes; imbalances in supply and demand for specialists across Europe; and closer contact between citizens through economic integration. But she said a "new wave of migration" similar to that seen some decades ago was unlikely. The most likely prospect was "a gradual, progressive increase in the general level of Community-wide mobility, led by the highly skilled, who already have a wider concept of their labour market."

Themes touched on by speakers at the conference included the importance of training in raising skills throughout Europe.

Conference report, Page 9

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	[illegible]	[illegible]	Dubrovnik	S	14	57	Malta	C	[illegible]	[illegible]	Rhodes	S	11	52
Algiers	F	14	57	Edinburgh	S	[illegible]	[illegible]	Manchester	F	[illegible]	[illegible]	Rio de J'o		—	—
Amsterdam	Dr	9	48	Faro	S	[illegible]	[illegible]	Manila	C	31	88	Rome	S	13	55
Athens	S	13	55	Florence	S	9	48	Melbourne	S	20	68	Salzburg	S	[illegible]	[illegible]
Bahrain	S	17	63	Frankfurt	S	5	41	Mexico City	F	25	77	San Francisco	S	[illegible]	[illegible]
Bangkok	F	33	91	Funchal	F	17	63	Miami	C	21	70	Seoul	S	-9	16
Barcelona	S	11	52	Geneva	S	[illegible]	[illegible]	Milan	Fg	5	41	Singapore		—	—
Beirut		—	—	Gibraltar	S	16	61	Montreal	Sn	-13	9	Stockholm	Dr	1	34
Belfast	S	6	43	Glasgow	F	7	45	Moscow	Sn	-2	28	Strasbourg	F	[illegible]	[illegible]
Belgrade	S	10	50	Guernsey	F	11	52	Munich	S	[illegible]	[illegible]	Sydney	C	22	72
Berlin	[illegible]	10	50	Helsinki	Sn	-10	14	Nairobi	C	24	75	Taipei	[illegible]	19	66
Biarritz	[illegible]	11	52	H. Kong	C	15	59	Naples	S	15	59	Tangier	S	16	61
Bombay	S	32	90	Innsbruck	S	5	41	Nassau	F	29	84	Tel Aviv	F	15	59
Bordeaux	S	5	41	Inverness	R	5	41	New Delhi	S	25	77	Tenerife	S	19	66
Brussels	[illegible]	8	46	Islamabad	C	14	57	New York	[illegible]	[illegible]	[illegible]	Tokyo	S	[illegible]	[illegible]
Budapest	S	11	52	Istanbul	R	5	41	Nice	S	14	57	Toronto	Sn	[illegible]	[illegible]
B. Aires	F	32	89	Jakarta	R	30	86	Nicosia	F	[illegible]	[illegible]	Tunis	R	12	54
Cairo	F	16	61	Jersey	[illegible]	11	52	Oporto	C	10	50	Valencia	S	13	55
Cape Town	S	24	75	Jo'burg	F	25	77	Oslo	C	6	43	Venice	Fg	1	34
Caracas		—	—	Lima	[illegible]	26	79	Paris	R	5	41	Vienna	[illegible]	10	50
Casablanca	S	15	59	Lisbon	S	10	50	Peking	S	-2	28	Warsaw	C	[illegible]	[illegible]
Chicago	F	1	34	London	F	12	54	Prague	S	[illegible]	[illegible]	Washington	S	4	39
Cologne	C	8	46	Los Angeles	S	12	54	Reykjavik	F	[illegible]	[illegible]	Zurich	Fg	1	34
Copenhagen	C	7	45	Luxembourg	C	1	34								
Corfu	S	15	59	Madrid	S	6	43								
Dallas	S	4	39	Majorca	F	13	55								
Dublin	S	9	48	Malaga	S	15	59								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Azerbaijanis issue threat of secession

Continued from Page 1

Harsh suppression of what clearly became a nationalist uprising in Azerbaijan last week was also reported from the border region of Nakhichevan.

A member of the local Popular Front said in Moscow that all the leaders had been arrested and the Soviet military had completely sealed the border with Iran.

The move followed the declaration of secession by the Popular Front in Nakhichevan and an appeal to similar movements in other parts of the Soviet Union, in Ukraine and Belorussia, to oppose the mobilisation of army reserves for the state of emergency, according to Radio Moscow.

There was also an unconfirmed radio report of Georgian soldiers in the Soviet forces having deserted or demanded to be sent home to their republic.

What is certain is that protests against the mobilisation spread rapidly across the country last week, forcing the Defence Ministry to abandon the draft at the weekend.

The situation is also reported extremely tense from Yerevan, the capital of neighbouring Armenia, whose open civil war with Azerbaijan also precipitated the Soviet military action.

Armed militants there, from the so-called Armenian National Army, openly patrol the streets and a Reuter correspondent reported that it seemed only a matter of time before the military took action against them.

India files Bofors charges

Continued from Page 1

until it named those Indians who had received money.

The CBI director, Mr Rajendar Shekhar, said soon after filing the "first information report" yesterday that the way was now clear to seek information from Swiss banks about accounts into which "commissions" were paid by Bofors as well as the possible freezing of the accounts. Swiss authorities have insisted that criminal charges must be filed before such action can be considered.

The CBI has filed allegations of criminal conspiracy, corruption, abuse of official position by public servants (which includes politicians), cheating, criminal breach of trust and forgery against 14 individuals and companies.

They include Mr Martin Ardbo, former president of Bofors, Mr W. N. Chadha, the Swedish company's former principal agent in India, and Mr G. P. Hinduja, an Indian industrialist living in London.

Mr Chadha is alleged to be president of Anatronic General Corporation of New Delhi and Mr Hinduja is the owner of Pitco-Moresco-Moineao SA. Both are accused of having received payments from Bofors.

The others accused are not identified by name but are referred to as directors and beneficiaries of some companies including Bofors, Anatronic General Corporation of New Delhi, Svenska Inc of Panama, Pitco-Moresco-Moineao SA of Switzerland and A. E. Services of the U.K.

Bofors in Sweden said it did not intend to comment yet on the accusation that the company had paid an estimated SKr319m ($52m) in bribes to secure the contract to supply complete field artillery systems based on a 155mm howitzer.

Last night Mr Hinduja said he was shocked and distressed to have been included in the charge. "I totally deny that I am in any way involved in it. The action implicating me is uncalled for as these allegations are no different from what appeared in the media earlier and to which I went all the way to give voluntary clarifications with documentary evidence to prove the allegations are basaeless, none of which has been refuted.

Mr Hinduja said he believed the allegation was part of campaign to malign him and his group. He was confident that justice would prevail and the present government had assured him that there would be "no vindictiveness and humiliation."

"I repeat that I am totally uninvolved and therefore cannot help believing that there are some inimical persons within and outside the government who are trying to harm me and my government's reputation."

The filing of the first information report means detailed investigations will now begin. Mr Shekhar said the CBI also had evidence that Mr K. C. Pant, the then Minister of Defence, Mr Arun Singh, his Junior Minister, Gen K. Sundarji, then chief of the Indian army, and Mr K. Parasan, then Attorney-General, had recommeded to the Gandhi Government that the contract with Bofors be cancelled to compel it to reveal the names of the beneficiaries of the "commissions." The recommendations were not accepted.

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INSIDE

Thomson steers clear of trouble

When Thomson-CSF, the French defence contractor, last week became the third European group to pull out of bidding for Ferranti International, people wondered whether it had discovered that the UK company's troubles went further than has been revealed. Not so. It simply appears to have been daunted by the prospect of taking over a company as troubled as Ferranti, writes Michael Skapinker. Page 25

Buying a piece of the Dales

National Australia Bank bought Yorkshire Bank for a fancy price last week. That is one of the remarkable things about the auction; the other is the highly organised way in which the bank's owners achieved that price. Initial bidders were grilled by County NatWest, advisers on the sale, and vetted as to their ability to pay the price that County wanted. The winning price was probably even higher than the owners expected, partly because Mr Nobby Clark (above), chief executive of NAB, had set his sights on owning Yorkshire for years. Page 26

Brazil's pirates walk the plank

The pirates are vanquished and Brazilian software publishers are celebrating. Sales have shot up since Brazil succumbed to pressure from Washington and agreed to stamp out piracy and impose a degree of order on the market. Brazil was estimated to have 10 illegal programs in use for every legal program, while the ratio in most countries is estimated at 1:2. Now distributors of leading programs say sales have risen vigorously as users get rid of their bootleg programs and hurry to buy legal ones, writes John Barham in Sao Paulo. Page 21

Life at the rainbow's end

NEI

After 30 years of searching, Northern Engineering Industries, the sprawling UK engineering empire acquired by Rolls-Royce last year, believes it has hit upon a formula for making money out of its contract research business, Industrial Research and Development. David Fishlock explains how the operation has become one of the most profitable parts of the group. Page 27

You've got to shop around

Kaufhalle, the cheap and cheerful store subsidiary of Kaufhof, will feature strongly as the big West German retailing group pushes East. The company is eager to capitalise on opportunities raised since the Berlin Wall was so rapidly and emotionally breached last November, and now plans to raise DM231m ($136m) through the flotation of a 25 per cent stake in Kaufhalle. Mr Jens Odewald, Kaufhof's chief executive, wants to attract strong foreign investor interest for the shares. Page 20

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Hapag Lloyd	405	+	6
Hoesch	309	+	5
Porsche	1020	+	15
Falls			
Beiersdorf	690	−	10
Lahmeyer	870	−	30

NEW YORK ($)

Rises			
American Home	$104\frac{1}{8}$	+	$\frac{7}{8}$
SynOptics	$25\frac{1}{2}$	+	$1\frac{3}{4}$
Falls			
First Exec.	$4\frac{1}{2}$	−	$2\frac{1}{2}$
[illegible]	$36\frac{1}{4}$	−	$1\frac{1}{2}$
Motorola	$55\frac{5}{8}$	−	$1\frac{3}{4}$
Phelps Dodge	$54\frac{3}{8}$	−	2

PARIS (FFr)

Rises			
Chargeurs	1370	+	30
Cetelem	575	+	10
[illegible]	8200	+	300
Poliet	560	+	9
Falls			
La Henin	620	−	11
Simco	584	−	16

TOKYO (Yen)

Rises			
[illegible]	1600	+	170
Harima Chems	2000	+	280
Joban Kosan	1410	+	150
Kyowa Elec.	1610	+	200
Tokai Pulp	1590	+	170
Falls			
Taihei Dengyo	2060	−	240

New York prices at 12.30.

LONDON (Pence)

Rises			
Allied Irish	[illegible]	+	4
ASDA Props.	116	+	5
Euro Home Prod.	145	+	8
Horne (R.) "A"	380	+	32
Laing Props.	532	+	23
Microfocus	538	+	25
Racal Telecom	369	+	7
Reckitt Enwenil.	925	+	17
Falls			
BTR	428	−	14
Brent Walker	354	−	8
Burmah	642	−	17
Coloroll	29	−	34
Cookson	281	−	13
Glaxo	718	−	23
Holmes Prot.	32	−	8
ICI	1109	−	19
Legal & Gen.	380	−	9
RTZ	522	−	22
Royal Ins.	509	−	12
Sharpe & Fisher	92	−	10
Shell	451	−	11
Vickers	216	−	8

Brought down to Earth with a bump

Roderick Oram looks at the withdrawal from aerospace operations by Ford and Chrysler

Mr Allen Paulson, one of the last entrepreneurial "fix 'em and fly 'em" aircraft makers, had lots of time for a leisurely round of golf in Palm Springs, California, last Friday.

"We're ready to go if the price is right," he said of his imminent bid for Gulfstream, the executive jets maker that Chrysler is selling only four-and-a-half years after buying it from Mr Paulson and public shareholders.

Like General Motors and Ford Motor, Chrysler argued in the mid-1980s that it could benefit technologically and financially by complementing its car business with aerospace operations.

It spent $640m in 1985 on Gulfstream and $370m in 1987 on Electrospace Systems, an aviation electronics outfit. It then combined the two to form Chrysler Technologies.

GM paid $5.3bn for Hughes Aircraft in 1985. Outbid, Ford found other ways to enhance its 30-year-old aerospace and defence operations, culminating 18 months ago in its $425m purchase of BDM, a military research business.

But for Ford and Chrysler, the strategy has failed. The technological benefits have proved non-existent and their defence and aerospace businesses are softening. Within the past six weeks both companies have put their divisions up for sale. For they urgently need the cash to bolster their flagging – and investment hungry – core car operations.

GM's experience is harder to assess. It says it is teasing technology out of Hughes. And the new automotive work is helping a bit to reduce Hughes' dependency on aerospace and defence business.

General conclusions are hard to draw, given the huge differences between the three's aerospace interests, ranging from Chrysler's executive jets through Gulfstream to Ford's satellites through BDM and Hughes' missiles.

GM appears to be surviving because it bought a company big enough to weather the defence and aerospace downturn and broad enough to house technology useful to cars. It has also integrated Hughes into its corporate structure, whereas Ford and Chrysler have kept their interests as arms-length financial investments.

Ford and Chrysler have made up their minds. "We thought there'd be some cross-cultural activities," a Chrysler executive said. "But there were no opportunities to take anything practical from aerospace and apply it to mass production of cars."

And Ford said: "We've worked on some programmes such as advanced composite materials, but they are blue sky projects. They are not directly applicable to vehicles of today, or the near future."

When Chrysler spent $640m for Gulfstream in 1985, the jet maker had a three-year backlog for its $15m business jets. Now it is down to a year and the production rate is being slashed to 30 aircraft this year from 49 last year.

Most analysts reckon that Chrysler will be lucky to recoup its $1.1bn purchase price for Gulfstream and Electrospace, given the less-than-sparkling state of their sectors. Similarly, the sale of Ford Aerospace will produce no great windfall.

But Ford needs all the cash it can get, having spent in the past few months $2.4bn on Jaguar, the UK luxury car maker, and $3.85bn expanding its financial services business.

When Mr Roger Smith, GM's embattled chairman, paid billions for high technology expertise in the mid-1980s, he spoke bullishly of the future. "We're going to build our company for the twenty-first century, not stumble into it backwards." In addition to Hughes, GM paid $2.5bn for EDS, a computer services group, and spent heavily on new plant.

Currently some 150 projects are under way to transfer Hughes technology to GM. They fall into four main areas:

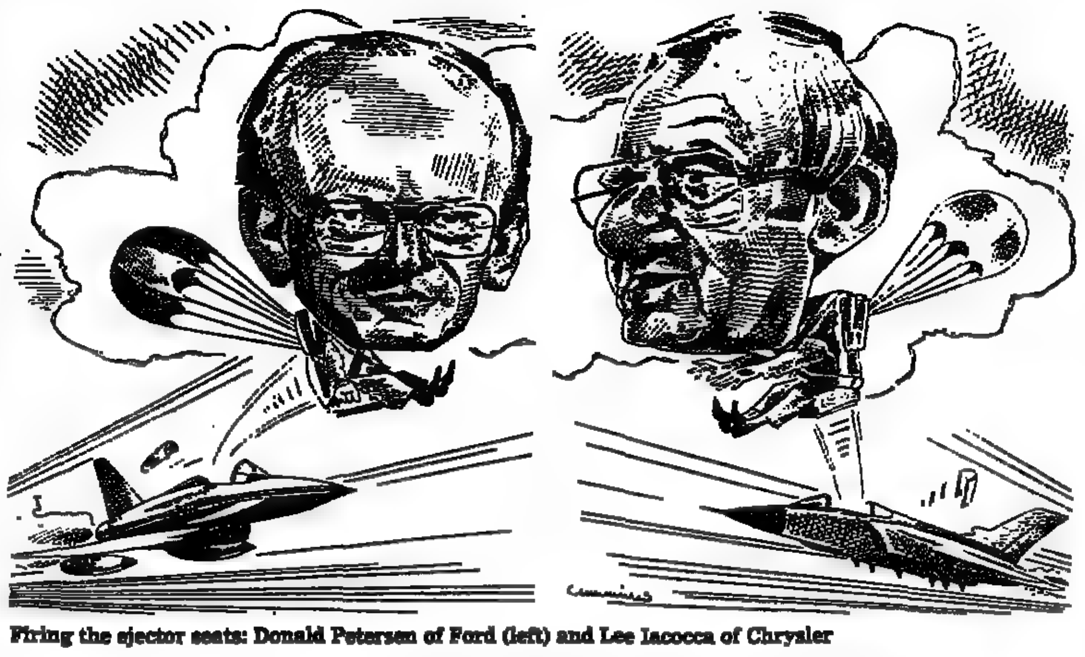
- Car design, in which aerospace computer techniques are speeding up development work on new models;
- Car components. The sole example so far is "head-up displays," which project a read-out of the vehicle's speed onto the windscreen;
- The manufacturing process. Hughes' skills in system engineering, for example, are helping GM bring complex new plants on stream;
- Manufacturing equipment. Infra-red cameras, for example, measure thermal differences in drying paint, and Hughes' sonar expertise is reducing noise both in cars and on the manufacturing line.

Little of this engineering is visible yet to the public, admits Mr Jerry Slocum, the Hughes vice president in charge of GM programmes. But behind the scenes, technology transfer has improved the quality and design of cars, he says. Moreover, GM doubled its population of engineers to 30,000 when it took over Hughes, and engineers are likely to be scarce in the 1990s, GM forecasts.

Critics argue that GM could have selectively bought technology more cheaply than grabbing all of Hughes. But Mr Slocum argues that Hughes makes its skills available only to GM, not to third parties.

No final verdict on the acquisition will be possible while Hughes slogs through this downturn in the defence sector, and until GM's car makers learn more from Hughes.

By then the man who promoted the strategy, Mr Smith, will be long gone. He and his counterparts, Mr Donald Petersen of Ford and Mr Lee Iacocca of Chrysler, all retire this year. But they are victims of age rather than questionable policies in aerospace/defence operations.



Firing the ejector seats: Donald Petersen of Ford (left) and Lee Iacocca of Chrysler

Nixdorf Computer to shed 5,000 jobs

By Andrew Fisher in Frankfurt

NIXDORF COMPUTER, the loss-making West German company in which Siemens, the electrical and electronics group, is taking a majority stake, yesterday announced plans to shed nearly 5,000 jobs.

These will be lost during the next six months in an effort to reduce costs and improve productivity.

Heavy job losses were expected after the Siemens takeover, which creates the second largest computer group in Europe after IBM of the US.

One cause of Nixdorf's steep slide into the red was its generous hiring policy of 1987 and early 1988, when it took on 5,500 new staff.

This added to its labour costs when the market was becoming more competitive, prices of computer chips were rising and customers were moving towards using computers that employed common industry standards.

Because the use of uniform standards allows users to choose from a number of hardware suppliers, Nixdorf found its market share being rapidly eroded.

Around 1,300 of the job reductions will be borne at the Paderborn headquarters in northern Germany, more than half of them in production. The rest will *be spread around other domestic* and foreign sites such as Singapore.

The company employs nearly 29,000 people, including 9,000 in Paderborn, having gradually shed labour over the past year and a half.

Nixdorf said it would reduce its international manufacturing activities as a result of falling orders and over-capacity. The company also intends to cut its research and development costs and the number of staff, as well as trimming its administrative operations.

Altogether, the moves will lead to the loss of 4,880 jobs by July 1.

The company also said it was to bring out new computer and retail point-of-sale products to meet the tougher conditions on world markets.

It did not indicate further the scale of last year's losses, following the pre-tax loss of DM465m ($272m) in the first nine months.

Nixdorf said that its absorption by Siemens offered the chance of success as part of Europe's largest indigenous data processing concern, even in difficult market conditions. But an important pre-condition was the restoration of profitability.

Coloroll's shares plunge by half after warning

By Alice Rawsthorn in London

COLOROLL, the troubled UK home products group, saw its market capitalisation halve to £58m ($95m) yesterday as its shares plunged from 63p to 29p, when it issued a profits warning for the second half of the year and announced a review of its financial position.

Last night Coloroll was attempting to secure agreement from its bankers to provide short-term support until it finalises proposals for a longer term restructuring programme to recapitalise its business.

Coloroll, once regarded as a stock market star, has been struggling against a sharp decline in demand since the spring because of the impact of increased interest rates on the housing market and consumer spending on the home.

Other companies, notably Lowndes Queensway, the furniture and carpets retailing group, have also suffered from the slump in home products sales. Coloroll's problems have been aggravated by the hefty borrowings built up by a whirl of acquisitions in the 1980s.

Yesterday Coloroll warned shareholders that profits for the second half would be "materially below" the first half. Coloroll recently announced a sharp fall in pre-tax profits from £20.5m to £10m for the first half.

The company also indicated it may have to make provisions of up to £40m against investments and contingencies arising from previous disposals. These provisions are thought to relate to Response, the UK clothing company, and Homfray Hycraft, the Australian carpet business, that Coloroll sold to management buy-out teams after its acquisition of the John Crowther Group two years ago.

The consensus among analysts was that Coloroll will make pre-tax profits of about £2m in the second half. This would produce profits of £12m – after interest payments of £20m – for the full year to March 31, against £55.5m – on sales of £565m – last year. Coloroll could make an attributable loss, though, if its contingent liabilities were triggered.

Coloroll, which has been haunted by rumours of liquidity problems, has begun a review of its financial position in conjunction with SG Warburg and Morgan Grenfell. The review should be completed by the end of March. In the meantime Coloroll is asking its bankers for support if there is a call on contingent liabilities.

The review is expected to produce proposals for recapitalisation, possibly through a rights issue. Coloroll presently has bank borrowings of £140m, contingent liabilities of £40m and outstandings of £12m.

Coloroll expanded rapidly by acquisition in the bullish stock market of the 1980s, under the ambitious Mr John Ashcroft as chairman. Mr Ashcroft and his young management team – the "MBA barrow boys," as he calls them – were seen as typical of the new breed of Thatcherite managers who were revitalising British manufacturing.

Coloroll's name is now bandied about as a break-up candidate. Williams Holdings, the UK industrial group which recently disclosed a 1 per cent holding in Coloroll, is said to be interested in parts of the company, as are Coats Viyella, the UK textile concern, and DMC, the French textile group.

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Dominion probes alleged fraud

By Clay Harris in London

DOMINION International, the financial services and property group which has been forced to seek protection from its creditors, is investigating an alleged £1m-plus ($1.6m-plus) fraud at one of its leasing subsidiaries, Dominion Credit and Finance.

Dominion has been trying to sell DCF to Tiphook, the leasing and container rental company, to alleviate its financial crisis. Dominion confirmed the existence of an investigation at DCF and said Tiphook was aware of the situation.

The news emerged yesterday as Mr Michael Gercke and Mr Mark Homan of accountancy firm Price Waterhouse were appointed administrators to oversee Dominion's affairs. Administration, a *step short of receivership*, followed unsuccessful attempts by Dominion's management to keep the company afloat in the face of debts of more than £100m.

Mr Gercke confirmed that the chances of shareholders recovering any of their investment were "extremely remote." He said allegations which had been made about Dominion's affairs would be thoroughly investigated.

Dominion also said yesterday that Mr Max Lewinsohn, the central figure at the company until he resigned last August, had spurned a blunt warning in June last year that the group was suffering a "cash haemorrhage."

Mr Lewinsohn, who resigned under fire after 15 years on the Dominion board, ordered all copies of a memorandum warning of the company's cash plight to be destroyed, according to Mr David Harris, Dominion's treasurer and the author of the document.

"I was called to Max's office and confronted with my memo and berated for having had a secretary type up such information to pass around the office, upsetting people who didn't understand such things," Mr Harris said. "Accordingly I was requested to destroy all copies."

Mr Harris's memo spelt out in detail a £9m cash outflow in the first two months of Dominion's *current financial year and* requested an urgent discussion with Mr Keith Lawrence, finance director. "The cash haemhorrage is putting severe strains on our facilities and clearly cannot continue," the memo said.

Mr Lewinsohn yesterday confirmed the existence of the memo and said his remarks to Mr Harris reflected only his concern about the damage that could be caused inside and outside the company by the use of "extravagant language."

Less than three weeks after Mr Harris's memo, the Dominion board recommended payment of a 3p per share final dividend for 1988-89. The board minutes do not indicate that the cash crisis was discussed, although Mr Lewinsohn said yesterday: "Far from it being suppressed, I was probably the one banging on the table most about it."

After Mr Lewinsohn's resignation, Dominion was forced to cancel the dividend because it lacked distributable reserves.

Mr Lewinsohn, who has been criticised by several leading shareholders and former directors, maintains that the cash crisis could have been solved and the dividend paid if the company had proceeded with his plan to sell Film Finances, a production guarantee company, and buy York Associates, a US mortgage *service group*.

"The whole budget for the year was predicated on that basis," Mr Lewinsohn said.

The administrators said yesterday that Dominion's film finances and computer peripheral leasing businesses were trading profitably. Its other activities include UK financial services businesses, including provision of personal loans and personal equity plans.

DCF, the leasing company under investigation by Dominion, specialises in "small ticket" items such as cars and boats.

Intex dream fades, Page 22

Lowndes price tumbles to 4½p

By Maggie Urry in London

SHARES of Lowndes Queensway fell sharply yesterday after trading resumed following the announcement of a £70m refinancing package agreed between the furniture and carpet retailer and its bankers on Friday.

At the close of trading the shares were 4½p, compared to the 8½p at which they were suspended in mid-December.

Shareholders are being asked to subscribe to a 218-for-100, £35m rights issue at 5p, the nominal value of the shares.

Some shareholders, however, were saying yesterday that they would not take up their rights.

Great Universal Stores, which has a stake in Lowndes left over from its 24 per cent holding in Harris Queensway, the company Lowndes took over in 1988, did not take up the last rights issue, in September, and it is not expected to take up this one.

One institutional investor said that unless the banks were prepared to write off a substantial proportion of the debt, Lowndes was not viable. He said his funds would not take up the rights.

However, another institutional shareholder, which is backing the refinancing package by sub-underwriting the rights issue, said that although the potential gains to be made from the investment had been reduced by the refinancing, the chances of the group's survival had risen because of the amount of new equity put in.

INTERNATIONAL COMPANIES AND FINANCE

Kaufhalle flotation will fund expansion

By Andrew Fisher

KAUFHOF, the West German store company, is floating a quarter of the shares in Kaufhalle, its chain of low-price stores, to raise DM231m ($136m). The proceeds will be used for expansion, with Kaufhalle expecting to double its investments on new outlets and in its existing 109 stores this year to around DM90m.

The new voting shares are priced at DM330, the issue being handled by a consortium led by Dresdner Bank and with the participation of Westdeutsche Landesbank. The new funds will give Kaufhalle an equity ratio of over 50 per cent.

Kaufhalle aims to benefit from both continued growth in West Germany, helped by immigration from the east, and economic reconstruction in East Germany, where it hopes to be able to open its own stores. The company has no connection with the East German Kaufhalle, which operates small food stores.

Founded 65 years ago, Kaufhalle originally offered goods at two prices only – 25 or 50 pfennigs. The fixed price categories were dropped after the last war. Turnover last year was DM1.9bn, with a level of around DM2.15bn aimed for in 1990 and DM3bn in 1994. Net profits in 1989 were DM26m. It will add 13 newly-acquired stores next month to bring its outlets up to 122.

The Kaufhalle range includes furniture and household goods, food, shoes, and clothing. The chain estimates the total market for low-priced products in West Germany at around DM10bn, of which it has a fifth. It also runs three Gemini bookstore outlets.

Liberating the low-price market

Germany's new consumers have basic needs, writes Andrew Fisher

GERMAN MANAGERS have become used to scanning the eastern horizons for business opportunities since the Berlin Wall was so rapidly and emotionally breached last November.

With the wave of immigration from east to west continuing, Kaufhof, the big West German retailing group, has potential growth in both Germanys in its sights as it prepares to raise DM231m ($136m) through the flotation of a 25 per cent stake in Kaufhalle, its low-price store chain.

Up to 1994, Kaufhalle aims to lift turnover sharply to around DM3bn from last year's DM1.9bn. Roughly a third of this growth is expected to come from improved business at existing stores, a further third from acquisition expansion, and the rest from sales generated by the coming together of the two Germanys.

Kaufhalle has 19 stores near the border with East Germany. The company believes its low-priced clothing, shoes, household goods, and other products are just the sort to appeal to immigrants needing to set up home in the west. It also hopes to benefit from the economic reconstruction efforts in East Germany by setting up its own stores there.

"In the long run, Kaufhalle may be able to open between 30 and 40 stores of its present size (up to 2,000 square metres) in East Germany," reckons Mr Jens Odewald, chief executive of Kaufhof. It will also seek to add to its stores near the border as well as in the large southern state of Bavaria, where it is under-represented.

The proceeds of the flotation will go towards the Kaufhalle's expansion. It plans to increase its number of stores from 122 to around 144 in West Germany alone by 1994, along with a rise in sales per square metre from nearly DM7,500 this year – in 1988, the figure was DM7,200 – to DM8,700.

In recent years, the Kaufhof group, in which the privately-owned Metro cash-and-carry concern owns more than 50 per cent, has concentrated on such high-growth sectors as mail order, home electronics, shoes, sports equipment, and fashion. Some have achieved high growth rates, while others have faltered.

It has also expanded in tourism, a sector recently hampered by disappointing business in Spain. At the same time, it has invested heavily in upgrading the best of its department stores.

The Kaufhalle chain serves a different market from the main stores and the specialised outlets, though many people shop at all three. Kaufhalle stores are plain and unglamorous, selling a wide range of cheap basic goods. Nearly 40 per cent of their turnover comes from shoes and textiles and almost 20 per cent from furniture and household goods. Food makes up 30 per cent and other goods the rest.

This straightforward formula has made Kaufhalle into a solid profit earner. Mr Odewald hopes for heavy foreign investor demand for Kaufhalle shares, especially from the UK.

The store chain, which owns more than half of its total selling space of 300,000 sq metres, has property assets worth more than DM700m; more than half of its present stores are in prime urban locations.

The company recently added 13 stores bought from Bilka, a subsidiary of rival retailer Hertie. Last year, it acquired the six properties of the small Dahl company, all near Cologne. According to Mr Odewald, there are other local concerns which could be snapped up. "If they want to sell, we will acquire them."

East German families must count their pennies with care

As for the whole Kaufhof group, performance has been mixed. Sales rose by some 12 per cent to nearly DM13bn last year, with the main Kaufhof stores fairly stagnant, while some specialised activities like Reno shoes showed considerable growth. Group profits, however, rose by only around 7 per cent – actual figures have yet to be released – though cash flow advanced at a more rapid 11 per cent.

Kaufhof's non-German retailing and tourism profits in western Europe account for around 12 per cent of total business. This proportion has grown rapidly in the past few years, but Mr Odewald does not think it will expand by much more yet unless new operations are acquired. "Now, we shall try to consolidate a little."

For the moment, he adds, the group has no plans to float shares in any other activities.

Santander registers sharp rise in profits

By Peter Bruce in Madrid

BANCO SANTANDER, one of Spain's big seven commercial banks, yesterday reported consolidated net profit of Pta53.49bn ($487m) for 1989, against Pta39.3bn a year earlier, and said its return on total assets was unchanged at 1.34 per cent.

The bank did not say to what extent its decision last summer to become the first Spanish bank to offer interest on current accounts had affected earnings. Net interest income rose 20.17 per cent to Pta159.6bn.

Figures last week showed that Santander's deposits had risen dramatically since the introduction of the interest-bearing accounts.

Between August and November 1989, current account deposits rose by Pta211bn to Pta586.9bn, lifting the bank from fourth to second position behind Banco Bilbao Vizcaya (BBV), Spain's biggest bank.

None of the other big commercial banks have yet begun to offer the same product, though some have tried to do so through subsidiaries. BBVs current account deposits rose only Pta20bn from August to November, to reach Pta753bn.

● Repsol, Spain's state-controlled oil group, made net profits of about Pta65bn last year, 16 per cent more than in 1988, Mr Oscar Fanjul, chairman, said yesterday.

He said net cash flow for the year reached an estimated Pta146bn, up from Pta124.89bn in 1988 and that annual dividends would total 90 per share before taxes, AP-DJ reports.

He also said Repsol put Pta24bn into pension and early retirement funds, fulfilling in a single year its commitment to finance fully the funds by 1999. Repsol reinvested Pta160bn into its operations last year. That figure will ease to 140bn this year, Mr Fanjul said.

The Repsol group, Europe's seventh largest oil company with 19,000 employees, sold 26.5 per cent of its capital to private shareholders last May. The country's largest bank, Banco Bilbao Vizcaya, holds 3.5 per cent of the shares.

Corporate link-ups increasing pre-1992

By Nikki Tait

MOVES TOWARDS European harmonisation, in the run-up to 1992, have produced a mounting number of link-ups which fall short of full takeover deals.

According to KPMG Peat Marwick McLintock, the international accountancy firm, some 669 "corporate partnerships" – ranging from strategic cross-shareholdings to the formation of joint venture companies – were set up in the last three months of 1989 alone.

A sharp increase in the number of cross-border takeovers within Europe has already become evident during the course of 1989. However, the Peat Marwick survey is one of the first attempts to monitor the increase in strategic alliances – seen by some investment bankers as an equally significant trend.

There are no immediately comparable figures for earlier periods, and precise measurement is acknowledged to be difficult. However, Peat Marwick said yesterday that, in the 10 years to 1986, other statistics have suggested that less than 1,000 corporate partnerships were formed worldwide.

The Peat Marwick survey only includes "corporate partnerships" which give the companies involved an economic interest in one another. It includes the acquisition of share stakes in excess of 5 per cent; the establishment of cross-shareholdings; and the formation of joint ventures. However, non-financial tie-ups – technology exchange agreements, for example – are not covered.

According to the survey, West German companies were the most active in forming corporate partnerships during the three-month period. They announced 173 deals, of which 45 involved an East European counterpart, and 56 were within the domestic market.

Interestingly, however, UK companies ranked in second place – slightly ahead of both France and Italy, where "strategic alliances", as opposed to full takeovers, have traditionally played more significant role. There were 142 "corporate partnerships" set up by UK groups. Of these, 53 were within the domestic market; 33 involved companies in other EC countries; and 16 were in Eastern Europe.

French companies were involved in 128 partnerships and Italian companies, in 107. For companies in countries like Spain, Finland, the Netherlands and Sweden, the figures become significantly smaller. Here, the number of partnership arrangements announced during the final quarter of 1989 ranged between around the 50-60 level.

The survey finds that partnership arrangements have been most common in the engineering, electronics and chemicals/pharmaceutical sectors. These are followed by deals in the financial services, media and leisure, construction and retail sectors.

Amev to acquire VSB

By Laura Raun in Amsterdam

AMEV, the third largest insurer in the Netherlands, said yesterday that it would take over VSB Group, the biggest savings bank in the country, through a share swap.

Amev will acquire the 85 per cent of VSB it does not already own in exchange for 20 per cent of Amev shares to the Foundation VSB, owner of VSB. In the process, Amev will issue 3.8mn new shares, a 6.25 per cent increase, but earnings are not expected to be diluted.

The Foundation VSB, which is a charitable organisation, is run by the savings bank's management and supervisory boards. Amev declined to comment on the future of the Foundation, which has never helped the social and cultural projects it was designed to aid.

In March 1989 Amev and VSB announced an initial 15 per cent share swap with the intent of eventually merging in order to widen their financial base, jointly develop products and cut costs. The merged group is expected to concentrate on the Dutch market.

The new institution had a balance sheet total of Fl 44.3bn ($23bn) at June 30, 1989.

Enimont appoints two new directors amid dispute

By Haig Simonian in Milan

THE BOARD of Enimont, the Italian chemicals joint venture, met as planned yesterday afternoon to appoint two new directors and pave the way for a stronger private-sector influence over its activities.

The decision to proceed with the board meeting, which has also agreed to call a crucial meeting of shareholders on February 27-8, came in the wake of a series of increasingly tense exchanges between Mr Raul Gardini, chairman of the Montedison group, which owns 40 per cent of Enimont, and Mr Carlo Fracanzani, the Christian Democrat Minister of State Participations.

Against signs that Mr Fracanzani was attempting to have the meeting postponed, Mr Gardini had accused the minister of trying to exert undue political influence over the company, which he argues must behave more in line with market rather than political forces.

Some 40 per cent of Enimont's shares are owned by Ente Nationale Idrocarburi (ENI), the Italian state chemicals concern.

A further 20 per cent of the equity is publicly quoted. Among the tasks of next month's shareholders' meeting is to appoint a further two board members, who will representing the minority shareholders' interests.

The result could be to tip the balance on the current 10-member board, at present evenly divided between Montedison and ENI representatives, decisively in favour of the private-sector, explaining Mr Fracanzani's interests in securing a postponement, it is claimed.

● Fiat said it is reorganising its activities in the aerospace sector into a new company, Fiat Spazio, Reuter reports.

Fiat said the defence and space division of its subsidiary Snia BPD will hold 50 per cent of the new company. Four other Fiat units will each hold 12.5 per cent stakes.

Fiat said the new company would be the prime contractor and manage programmes in the aerospace sector.

US lenders report losses on real-estate write-offs

By Anatole Kaletsky in New York

SEVERAL US lending institutions yesterday announced losses relating to real estate write-offs in Texas, but the nation's biggest savings and loan institution reported steady income in the fourth quarter and 1989 as a whole.

First Interstate Bancorp, the big Los Angeles-based bank group, reported a net loss of \$344m or \$7.56 a share in the fourth quarter, compared with a profit of \$144m or \$3.10 the year before. For 1989 as a whole, the loss was \$124m or \$3.30, against a profit of \$129m or \$2.63.

First Interstate's loss was widely expected after the company announced in December it would record a fourth quarter provision of \$300m connected with an accelerated asset disposal programme at its Texas subsidiary, formerly called Allied Bancshares of Houston.

Earlier last year, in the third quarter, First Interstate had provided \$350m to cover probable loan losses at its troubled Arizona subsidiary.

The company's shares rose \$⅝ to \$44⅞ shortly after yesterday's results announcement, despite the general weakness of share prices on Wall Street.

Great Western Financial, the second largest US savings and loan company, reported a net loss of \$77.3m or 59 cents in the fourth quarter, compared with a profit of \$59.7m or 47 cents the year before.

The loss resulted from a \$200m provision to increase loan loss reserves and write down commercial and multifamily real estate projects. The provision was announced in November last year.

In 1989 net profits fell to \$100m or 78 cents from \$248m or \$1.95 in 1988.

By contrast, H.F. Ahmanson, the parent company of Homes Savings of America, the nation's largest S&L group, made net profits of \$65.9m or 66 cents in the fourth quarter, almost unchanged on the \$67.8m or 68 cents reported the year before.

In 1989 as a whole Ahmanson made \$193.9m or \$1.95, down on the previous year's \$202m or \$2.04.

Ahmanson said the slight declines in both its quarterly and annual income were due entirely to higher tax charges. The company's interest spread widened markedly, while non-performing assets remained at a relatively low 1.13 per cent of total assets.

Junk bond investor sees charge of \$515m

By Janet Bush in New York

FIRST EXECUTIVE, the Los Angeles-based insurance holding company which is one of the largest US investors in high-yielding junk bonds, said it expected to take a year-end charge of as much as \$515m because of defaults and losses in the bond market.

It added that it would report a substantial loss in 1989, without giving an estimate of how much this would be, and did not rule out further charges because the market value of its \$14bn bond portfolio is \$1.4bn less than its book value.

This latest announcement comes after a series of major setbacks. Earlier this month, Standard & Poor's, the credit rating agency, put around \$600m of First Executive's preferred stock on credit watch with negative implications.

It cited the company's decision not to sell its Executive Life Insurance subsidiary to WW Acquisition for \$460m. The plan was shelved because WW Acquisition was having problems with financing the deal due to losses in the junk bond market.

Last Tuesday, a state legislative committee was reported to be planning an investigation into the junk bond investment strategies used by First Executive. On Friday, the California Department of Insurance ordered Executive Life to recalculate the reserves it keeps against losses and First Executive said it would increase reserves by \$110m.

The order came after a Department investigation into the December 1988 transfer of \$756m in junk bonds to six newly formed companies, a move which reduced the amount of loss reserves required by regulators. Included in First Executive's junk bond portfolio of more than \$8bn is around \$30m in the US retail subsidiaries of Campeau which filed for Chapter 11 bankruptcy protection earlier this month.

Among other problem bonds are those of Hillsborough Holdings, the company formed for the leveraged buy-out of Jim Walter which has also filed for Chapter 11.

First Executive's shares have plunged from a high of \$17⅛ last year to \$4⅝ at mid-session yesterday.

Software pirates walk the plank

John Barham on the demand for legal computer programs in Brazil

After years of despairing over the pirate-infested Brazilian market, software publishers are celebrating. Sales have boomed since Brazil succumbed to heavy pressure from Washington and agreed to stamp out piracy and impose a degree of order on the market.

Mr Marcio Mello Mattos, the Rio de Janeiro representative of Lotus, which produces 1-2-3, the best-selling spreadsheet software, has reported that strong sales made Brazil the company's fifth-largest market in 1989.

Distributors of other leading programs say their sales have also risen vigorously as users got rid of their now illegal bootleg computer programs and hurried to buy legal ones.

In spite of the euphoria, foreign and Brazilian software publishers are still dissatisfied with new regulations adopted by the Government in its compromise with the US.

The sales boom has revealed the extent to which piracy had taken hold. Brazil was estimated to have 10 illegal programs in use for every legal program, while the ratio in most countries is said to be between one and two.

Mr Mello Mattos commented: "It was a habit, a custom, to use pirated copies." He claims that nearly all foreign multinationals and Brazilian companies openly used bootlegged software. Even government ministries are said to have used pirate programs.

The sales boom is bringing unexpectedly large windfall profits for the companies. Mr Paulo Roque, a director of ABES, a Brazilian software companies' trade association, said: "We never expected this – a 50 per cent rise, sure, but never a 200 per cent increase." Sales should reach about US\$100m in 1989, compared with US\$30m in 1988.

Most of last year's sales growth began during the second quarter. By June and July, sales of internationally best-selling, disc-operating, spreadsheet, word processor and database programs were running at eight to 10 times levels at the beginning of the year.

But the market has stabilised and sales this year are expected to reach \$130m-\$150m.

Piracy had flourished in Brazil because the law was vague about the status of software, although tightly-framed government policy still protects local hardware manufacturers from virtually any foreign competition.

Paradoxically, the nascent Brazilian software industry suffered acutely, because it was forced to compete with popular international brands that circulated at almost zero cost.

In 1985, the US began a diplomatic and trade campaign against the so-called "market-reserve" policy that protected hardware manufacturers from foreign competition. The "market reserve" still stands, but Brazil has agreed to ban software piracy by protecting programs with a form of copyright. The new software legislation was completed by May 1988, but only began to bite in 1989.

Programs are protected by copyright law for 25 years after they have been brought to market. Unauthorised copying is a criminal offence. Programs can be imported as long as they are shown not to be "similar" to an existing Brazilian brand and are registered with the Government.

At the beginning of the year, ABES mounted a \$150,000 anti-piracy campaign in the press and elsewhere to drive home the changes in the law. A direct mail campaign preceded legal notifications and litigation against some offenders.

Mr Roque, who is also president of a company that distributes Wordstar word processing programs, said: "A very good new market for new products has been opened, but foreign companies must accept the rules – they are not difficult, but they are a little peculiar."

One of the rules requires nearly all publishers to sell their products through Brazilian-owned distributors. Ironically the very high inflation rate may actually spur sales. Inflation, indexation and volatile financial markets create a captive market for spreadsheets.

Mr Mello Mattos of Lotus said the chronic economic crisis has made companies rely more on computer programs to increase operating efficiency. The hardware market grows by about 20 to 30 per cent annually, suggesting that the software market should grow at least as fast.

However, importers are still unhappy about the Brazilian market. Mr Mello Mattos said: "Brazil really should be among our top 10 markets, if only because of the population and the size of the economy, but in reality, the market reserve has made its ranking far lower."

The protected Brazilian computer manufacturers turn out obsolete and over-priced personal and minicomputers. However, Mr Georges Charles Fischer, a senior partner in Fischer & Forster Advogados, a Sao Paulo law firm, does not think the high cost of hardware is a great problem.

Mr Fischer, who acts for several software houses, says that most computers are owned by corporations, which have far greater purchasing power than individuals. He says the high cost means companies have to make their machines work harder, which in turn means they need to run a greater variety of programs.

But Mr Roque pointed out that the market reserve policy was becoming less rigid, with the result that Brazilian computers were becoming more advanced and less expensive.

However, Mr Fischer warned importers that "Brazil has some very good software and is building a critical mass. You need local software to meet local needs."

Before Brazil toughened its copyright laws to stamp out software piracy, illegal programs outnumbered legal ones by ten to one. Now software distributors say their sales are rising quickly as users replace their bootleg programs

Local software houses have written cheap and efficient communications and word processing programs. A few are even trying to export their products. None the less, Brazilian companies complain that the software legislation – which protects them from "similar" foreign programs – is not working.

Mr Ysmar Vianna, a director of Assesspro, a more nationalistic data processing and software trade association, said: "The criticism we make is that the law has not created effective mechanisms to allow development of a Brazilian software industry. The definitions of 'similarity' are too fluid and relative."

The Government has rejected only 1.2 per cent of the foreign programs submitted so far. At the moment, government agencies are considering whether or not to allow AT&T's Unix operating system to be marketed in Brazil. One agency has already approved its use.

But two hardware companies, state-owned Cobra and Scopus, a private company, have appealed against the decision. They say they have developed a "similar" system called SOX.

If the companies win, Unix – which is widely used throughout the world to operate minicomputer systems – will no longer be sold in Brazil.

Assesspro wants to see a change in the law, replacing similarity rules with import duties to discourage imports. The duties would be credited to a government fund created to encourage technological development.

The association wants clear legal mechanisms to stimulate Brazilian exports of software, although it admits it is still unclear about how such a mechanism would work.

Even Mr Fischer, who says a free market is the best way of stimulating the infant software industry, believes that software should receive a measure of government support: "It does not need a market reserve but should be stimulated by tax breaks for development and specialist training."

Importers are quite happy with implementation of the "similarity" rules, but complain that a deadening burden of red tape consumes time and money in winning approval for imports.

Worse, they are not allowed to remit payments to suppliers through the official exchange market.

Instead, they must buy currency on the "floating rate" market – a legalised segment of the dollar black market.

The street rate is half the official exchange rate, which makes programs more expensive in local currency terms.

The direction of Brazil's software policies will now depend on Mr Fernando Collor de Mello, who takes over as president on March 15. Mr Collor has promised to deregulate the economy and open Brazil to freer trade by reducing trade and investment barriers.

Chrysler in Austrian venture

By Kevin Done, Motor Industry Correspondent

CHRYSLER, the third largest US car maker, is to begin vehicle assembly in Austria in a joint venture with Steyr-Daimler-Puch, the Austrian automotive and engineering group.

A letter of intent was signed yesterday in Vienna by Mr Franz Vranitzky, the Austrian Chancellor, and Mr Lee Iacocca, Chrysler chairman, for the construction of an assembly plant in Graz to produce Chrysler minivans.

The US group pioneered the minivan concept in the North American market in the 1980s, and is still the US market leader with its Chrysler Voyager/Dodge Caravan vehicles.

The same market segment for so-called people carriers, high-roof 7-8 seat estate cars, has been pioneered in Europe by the Renault Espace, but several other European car makers are developing competing vehicles for launch in the 1990s, including Volkswagen and Ford, which are considering setting up a joint venture.

Under the preliminary deal agreed yesterday, Chrysler will begin assembly of its Voyager minivan in Graz next year with an initial capacity of 25,000 vehicles a year creating 1,000-1,200 jobs.

Chrysler and SDP are considering an eventual upper limit of 125,000 vehicles a year to be reached over five years, if demand is sufficient. Such a project could need a total investment of up to Sch3.8bn (\$315m).

The Austrian state and local authorities are to provide subsidies of up to one-third of the total capital investment. Mr Vranitzky defended the subsidies on the grounds that they would guarantee a high level of added value in Austria.

Austria is not a member of the European Community. Since the beginning of 1989 all such planned subsidies in the EC have had to gain the prior approval of the European Commission, which is seeking to stop state subsidies to the European motor industry.

The Chrysler/Steyr-Daimler-Puch joint venture marks an important development in the return of the US group to the European market, following its ignominious withdrawal at the end of the 1970s when it was forced by the threat of imminent financial collapse to sell its European operations to Peugeot of France.

In 1988, Chrysler began building a European distribution network for its North American vehicles, and in the same year it formed a joint venture with Renault of France to produce small four-wheel drive leisure/utility vehicles in Europe as well as in North America. Production of these vehicles is due to start in 1992.

Monsanto rises on record sales

By Anatole Kaletsky in New York

MONSANTO, the big US chemicals company, reported a 20 per cent advance in quarterly earnings, on the basis of record sales and steady growth in each of its main operating divisions.

But the company's shares fell \$3¼ to \$108 in active trading amid the general weakness on Wall Street, even though the results were in line with analysts' expectations.

Monsanto made net profits of \$90m or \$1.37 a share in the fourth quarter, including an after-tax gain of \$36m from the sale of its analgesics business last November.

Without the gain, earnings would have increased by 20 per cent on the \$45m or 70 cents reported last year, the company said.

For the whole of 1989, Monsanto's net income was \$679m or \$10.08 a share, compared with \$591m or \$8.27 in 1988. Net income increased by 15 per cent in the year, while earnings per share were 21 per cent higher. The company's annual sales grew by 5 per cent to \$8.68bn.

The group's general chemical activities produced a 2 per cent advance in annual operating profits to \$497m on sales growth of 1.9 per cent to \$4.06bn.

Profits from agricultural chemicals were up by 9.2 per cent at \$474m, while sales advanced 13.1 per cent to \$1.56bn. Animal sciences produced an operating loss of \$42m on \$159m turnover, against a loss of \$10m in 1988.

The NutraSweet artificial sweetener business made \$180m profits, up 16.9 per cent, on sales of \$869m, which were 18.1 per cent higher.

Pharmaceuticals, including the troubled GD Searle operations, which Monsanto bought in 1985, produced its first operating profit since Searle's acquisition. The division made operating profits of \$6m on sales of \$1.18bn, compared with a loss of \$62m on \$978m of sales.

Reverse for Tandy in second quarter

TANDY Corporation, the US electronics manufacturer and retailer, reported lower earnings for the second quarter as sales of low-end personal computers and certain categories of consumer electronics products slowed, writes Louise Kehoe in San Francisco.

Net income for the three months to December 31 was \$117.6m, compared with \$135.1m in the same quarter a year ago. Earnings per share fell to \$1.43 from \$1.50.

Sales and operating revenues for the second quarter rose 4 per cent to \$1.46bn from \$1.4bn.

"Income, while good for the level of sales, was reduced by sales trends in two major sectors of our industry, completion of the 10m share repurchase programme and costs associated with patent settlements," said Mr John Roach, chairman of Tandy.

Net income for the half year was \$180.4m, down from \$200m last year while earnings per share declined to \$2.14 from \$2.23. Revenues for the period were \$2.44bn, up from \$2.34bn last time.

Strong laboratory service pushes Corning ahead

By Roderick Oram

CORNING has reported moderate fourth-quarter and full-year growth in profit thanks to strong performances from its laboratory services, optical fibre and automotive products divisions.

The US group suffered a sharp decline in earnings from its equity investments in joint ventures, a type of business relationship which has served Corning well in the past.

Excluding a wide range of extraordinary items which muddied results, net profits for the fourth quarter ended December rose 9 per cent to \$59m, or 62 cents a share, from \$54m, or 61 cents a year earlier, on sales of \$610.9m against \$548m.

In the full year, the net, stripped of unusual items, rose 13 per cent to a record \$244.1m, or \$2.62, on sales of \$2.44bn against \$2.12bn.

Mr James Houghton, chairman, said the company was pleased with the broad advance of its consolidated operations. Lower joint venture earnings reflected continuing softness at Samsung-Corning in South Korea and reduced ownership in Iwaki Glass in Japan.

Net profits for the fourth quarter rose to \$73.3m, or 77 cents a share, from \$51.6m, or 58 cents a year earlier.

The items were a non-operating gain of \$59.3m after tax, a restructuring charge of \$45m after tax and a gain of \$300,000 from a tax loss carryforward. The year earlier net included a non-operating gain of \$16.4m after tax, a restructuring charge of \$19.1m and a negative tax adjustment of \$200,000.

Full-year net rose to \$261m, or \$2.80 a share, from \$210.7m, or \$2.34, a year earlier. The latest net included after-tax gains of \$61.9m, restructuring charges of \$45m, an accounting changes impact of \$83.9m, and a tax gain of \$1.6m.

In the previous year, the net included after-tax non-operating gains of \$96.8m, net charges of \$19.1m for restructuring, an accounting change impact of \$83.9m and a negative tax adjustment of \$2.2m.

Earnings reach \$700m at Utd Technologies

By Janet Bush

UNITED Technologies, the Connecticut-based defence and engineering conglomerate, yesterday reported record earnings for 1989 and an improved performance in the fourth quarter.

The company said the major contributors to higher earnings were Pratt & Whitney, the aero engines manufacturer, Otis elevators and Hamilton Standard, which makes products for the aerospace industry.

United Technologies reported net income in 1989 of \$702.1m or \$5.20 a share on a fully diluted basis, compared with \$659.1 or \$5.05 in 1988. Revenues increased to \$19.8bn from \$18.5bn in 1988.

In the fourth quarter, net income advanced to \$184.4m or \$1.36, against \$150.6m or \$1.16 a year earlier. This improvement was due to higher earnings from the company's power and flight systems.

Mr Robert Daniell, chairman and chief executive, said its core businesses continued to strengthen and that a backlog of orders, strong overseas growth and continued efforts to cut costs placed the company in a strong position for further improvements this year.

The backlog reached \$20.1bn on December 31, compared with one of \$16.9bn at the end of 1988. For the year, Pratt & Whitney announced \$11bn in commercial engine orders, including options, against the \$6bn announced in 1988.

Holmes à Court bids for Cyprus Minerals

By Kenneth Gooding, Mining Correspondent

ANALYSTS yesterday were mystified by the revelation that Mr Robert Holmes à Court, the Australian entrepreneur, is seeking a stake in Cyprus Minerals, the second-largest copper producer in the US.

Cyprus' shares rose by 75 cents to \$25.25 in early trading yesterday against the general trend on Wall Street and in spite of fourth-quarter results slightly below expectations.

Carisbrook Investments, a company associated with Mr Holmes à Court, has attempted to file notification with US federal agencies that it wishes to acquire \$15m-worth or more of Cyprus stock.

Cyprus says the filing would have allowed Carisbrook to buy up to 14.9 per cent of its stock, worth a total of \$144m at yesterday's market price. A \$15m investment would give Mr Holmes a Court about 1.5 per cent of Cyprus.

The filing application was rejected as "deficient," said Cyprus, but it understood a revised filing would be submitted soon.

Little has been heard from Mr Holmes à Court, once an active stock market raider, since the 1987 crash forced him to sell his shares in quoted companies – including a 28 per cent stake in Broken Hill Proprietary (BHP), Australia's biggest company.

Analysts suggested the timing of his potential move on Cyprus was odd in that stock markets were weakening and mineral prices falling.

"It's a bit strange," said Mr Euan Worthington, analyst with Warburg Securities in London. "But perhaps BHP gave him a taste for natural resources companies or perhaps he feels someone else might have a go at Cyprus."

Cyprus was spun off by Amoco in 1985 and has no major shareholders. As well as its importance in the copper market, Cyprus is one of the world's biggest producers of molybdenum, lithium and talc. It also has coal, barite, gold, silver and, shortly, iron ore interests.

It reported yesterday that fourth-quarter earnings fell from \$65.4m or \$1.61 a share to \$39.2m or 93 cents.

Earnings were affected by lower copper and molybdenum prices, said Mr Kenneth Barr, president. "In 1990 we are facing a more difficult period than last year, with a softening economy and demand for minerals we supply."

For the full year to December 31, Cyprus earned a record \$250.1m or \$6.06 a share on revenues of \$1.8bn, against \$170m or \$4.21 on revenues of \$1.3bn in 1988.

Holderbank offers \$44m for US cement group

By John Wicks in Zurich

HOLDERBANK Financière Glarus, the Swiss parent company of the Holderbank cement group, has launched a \$44m bid for the US producer Northwestern States Portland Cement.

The bid, being made through Dundee Cement, the Michigan-based Holderbank subsidiary, comprises \$22.4m in cash. With the assumption of outstanding bank debt, the purchase price rises to \$44m.

Northwestern, based in Mason City, Iowa, has annual capacity of some 800,000 tons, and last year booked sales of just under 500,000 tons.

The acquisition, strengthening Holderbank group's position as the biggest cement producer in North America, will be followed by the merger of Northwestern with Dundee.

● The Dutch Government is to sell part of its 70 per cent stake in Eurometaal, the ammunition company, to Oerlikon-Buehrle Holding of Switzerland and Dynamit Nobel of West Germany, Reuter reports.

After the transaction, which needs Dutch parliamentary approval, all three parties will have a one-third stake in the Dutch company. No financial details were disclosed.

Dynamit Nobel, a unit of Sweden's Nobel Industrier, already holds a 30 per cent stake in Eurometaal.

In 1989, Eurometaal had sales of Fl 200m (\$104m), against Fl 173.9m the previous year. No profit or loss figure for 1989 was available but the company posted a Fl 8.5m profit in 1988.

Tax benefits boost US pharmaceuticals group

By Anatole Kaletsky

AMERICAN Home Products, the fourth largest US pharmaceuticals group, reported a sharp increase in fourth-quarter net income.

However, this was almost entirely due to tax benefits related to the acquisition of A.H. Robins, the controversial manufacturer of the Dalkon Shield intra-uterine contraceptive. AHP brought A.H. Robins out of bankruptcy at the end of last year.

AHP recorded net income of \$304m or \$1.95 a share in the fourth quarter, compared with \$255m or \$1.65 the year before. But the latest result included a tax benefit of \$60m, against a tax charge of \$255m in the fourth quarter of 1988.

Partly offsetting this \$315m swing in tax liabilities, were the latest quarter charges of \$162m connected with the Robins acquisition.

There was a total of \$32m in non-recurring charges the year before.

The annual results were similarly distorted. Full-year net income in 1989 was \$1.10bn or \$7.07, compared with \$995m or \$6.43 in 1988. But the 1989 result included a \$121m reduction in taxes, as well as non-recurring charges of \$223m.

AHP said that excluding all charges and tax benefits, pretax income would have been 4 per cent up in the latest quarter and 5 per cent up in 1989 as a whole.

Annual sales rose 5.4 per cent to \$6.75bn, while quarterly sales grew by 6.5 per cent to \$1.64bn.

Air France may share routes with Minerve

By Paul Abrahams and George Graham in Paris

MINERVE, the French charter company, is to meet Air France tomorrow to discuss the possibility of sharing some of its scheduled routes.

At the meeting, Mr René-Fernand Meyer, president of Minerve, is expected to discuss proposals made by Mr Bernard Attali, chairman of Air France. Mr Meyer has asked to meet the French Minister of Transport afterwards.

Mr Meyer refused to give details of Air France proposals. He said, however, that he expected Minerve would profit from them. The Air France proposals follow its purchase earlier this month of UTA, the largest privately-owned air company, and Air Inter, the domestic carrier. The deal gave the company more than 60 per cent of take-off and landing slots within France.

Analysts expect Air France to come under pressure from the European Commission which is investigating the deal. The company may be forced to hand over some of its routes in the interests of competition. The proposals offered by Air France to Minerve may come some way to meeting these requirements.

The Air France deal has been fiercely criticised by some French airlines. Last week, Mr Lofti Belhassine, the president of Aquarius, the transport and leisure company which owns Air Liberté, and Mr Jacques Maillot, owner of Nouvelles Frontières, said the purchase of UTA was not in the interests of French consumers. They argued the deal would lead to increased fares and asked the French Government for 10 per cent of all Air France's routes to prevent this.

Minerve, which is France's leading charter company and has 11 aircraft including one Boeing 747 and a McDonnell Douglas DC10, would benefit from additional routes.

Minerve was founded in 1975, and for years remained principally associated with Nouvelles Frontières, the leading French independent tour operator, which accounted for around two-thirds of its turnover.

But in 1987, Mr Meyer fell out with Mr Jacques Maillot, his opposite number at Nouvelles Frontières, and Minerve lost the business.

Minerve then turned to other companies such as Go Voyages, Uniclam and Club Méditerranée, but last year, Minerve also lost much of Go Voyages's business when the latter was taken over by Aquarius. In September, Mr Meyer announced the creation of a new tour operator in association with Go's former chief executive.

Earlier this year, just before Air France's takeover of UTA and Air Inter was announced, the French Government refused Minerve permission to fly to Bamako in Mali, where it would have competed with UTA, but especially with Air Afrique.

Sands shift for minerals producers

Kenneth Gooding reports on ambitious moves in titanium output

At a time when the tribulations of Bond Corporation have spread a dark cloud of doubt about all ambitious and entrepreneurial Perth companies, the National Mutual Life Association, Australia's second largest insurer, is about to take a 25 per cent stake in just such a group: Minproc Holdings.

National Mutual will also make available a A$225m (US$178.3m) loan on terms very favourable to Minproc.

The deal marks another important step in the short history of Minproc, which was founded as an engineering services company as recently as 1978, had its shares floated only in 1987 and now emerges as a substantial mining house. It is also in the throes of completing two highly ambitious projects.

Firstly, Minproc will have a 50 per cent interest in the world's first fully-integrated mineral sands project, at Cooljarloo, 170 km north of Perth in Western Australia. This will involve digging out raw materials at one end of the process and producing titanium dioxide pigment – much demanded by paint and ceramic producers for the whiteness it imparts – at the other.

Costing A$344m, the scheme is the largest mineral development project currently under way in Australia. Mr Bob Wilde, Minproc's founder and joint managing director, is already talking seriously about moving even further down the value-added chain to the production of titanium metal.

At the same time Minproc has nearly completed a wholly-owned, A$72m sodium cyanide project at Gladstone, Queensland. This is expected to provide 20 per cent of Australia's requirements for cyanide, mainly used by the country's gold miners to leach the precious metal from heaps of ore.

Minproc's meteoric rise was at first linked with Australia's third and biggest gold mining boom which started in 1980. By offering innovative engineering packages, which included lump-sum guaranteed contracts, and by the use of pioneering technology, including simple, modular-style plants which became the industry standard, Minproc captured about 60 per cent of Australia's available gold industry engineering market.

Mr Wilde, an engineer who gained his contracting experience with Fluor of the US, claims that of the 74 projects Minproc tackled, only one – in the US – went badly wrong. That cost A$6m.

He and his colleagues wanted to move Minproc into resource activities where value could be added and by 1986 had identified mineral sands as the favoured field. This is an area in which Western Australia holds a prime position, providing 43 per cent of the world's ilmenite and 21 per cent of the rutile, 40 per cent of the world's zircon and 54 per cent of its monazite requirements.

Minproc sold 20 per cent of its shares to the public to raise A$20m in June 1987 and three months later launched a successful A$35m bid for the quoted TIO2 Corporation which owned the Cooljarloo mineral sands deposit.

Then came the October 1987 stock markets crash which, among other things, brought gold mine development in Australia almost to a halt. At the same time the problems with the US contract were begining to emerge.

Consequently, 1988 was "a tough year," says Mr Wilde. In the 12 months to June 1988, Minproc recorded a net loss of A$14.3m on revenue of A$128m.

But the company's bankers, Rothschild Australia, part of the N.M. Rothschild group which, with associates, has a 13 per cent shareholding in Minproc and boardroom representation, continued to give support.

And in February 1988 National Mutual made its first appearance in the Minproc story by coming to the rescue with A$21m in exchange for a 24 per cent stake in the mineral sands venture.

The insurance company's confidence had been bolstered by an earlier decision by Kerr McGee Chemical of the US, which owns rights to titanium dioxide pigment technology, to take a 50 per cent shareholding in the project.

The mineral sands venture is going well. A dredge, the biggest in Australia and capable of scooping up 9m tonnes of sand a year, started working last month and the first mineral sands sales will take place soon. Production of the first pigment is expected early next year.


Mr Bob Wilde: looking ahead to large-scale projects

When running at full capacity, from 1992 onwards, Cooljarloo should produce about 400,000 tonnes of ilmenite a year. About 220,000 tonnes will be upgraded to make 130,000 tonnes of synthetic rutile, just under half of which will go to the titanium dioxide pigment plant for processing into 54,000 tonnes of pigment. The rest of the ilmenite and synthetic rutile output will be sold to outside customers.

Meanwhile, the sodium cyanide plant is due to be commissioned in June this year. Australia currently imports all the cyanide it requires and the major producers, Imperial Chemical Industries and Du Pont, were not keen to give Minproc access to their proprietary technology. Minproc eventually found what it wanted in East Germany.

All finance for the cyanide project is in place and a group of international banks are providing 80 per cent, much of it non-recourse debt.

Minproc recorded a A$9.3m net profit in the latest year to June as the engineering division regained lost ground. But demands on Minproc's cash flow from the two greenfield projects become acute in the next two years.

The deal with National Mutual appears to have solved much of that problem.

Minproc is taking over National Mutual's resource investments in a deal worth A$305m. Apart from regaining the 24 per cent stake in the Cooljarloo venture, Minproc gets 26 per cent of the German Creek hard coking coal mine in Queensland, 20 per cent of the Warkworth soft coking coal mine in New South Wales and 100 per cent of Basin Oil, which produces oil and gas in the Cooper Basin.

Not only does Minproc get cash flow from mature coal and oil interests, it also will now have access to 50 per cent of the cash flow from early production from the mineral sands venture to help finance the later stages.

In return, National Mutual takes a 25 per cent stake in Minproc, with the right to go to 30 per cent, and provides the "soft" A$255m loan.

As part of the arrangement, Minproc is making a one-for-three rights issue this month to raise A$32m. Trading in Minproc shares should become more liquid because after the issue the Minproc directors' stake in their company will drop from about 40 per cent to 20 per cent and Rothschild's shareholding will also approximately be halved to between 6 and 7 per cent.

John Holland, an Australian engineering and construction company controlled by the Pennant Group, which had 10 per cent of Minproc, will also substantially reduce its stake.

Mr Sam Kavourakis, chief general manager of National Mutual, says it makes more sense for his organisation to have flexible, marketable investments via an association with a mining house rather than direct holdings in resource activities. After looking at a number of potential candidates, National Mutual chose Minproc, "a dynamic and successful company, which has the potential to develop into a significant mining house," he says.

Ms Fiona Archer, an analyst with the Ord Minnett financial services group, sees the National Mutual deal as being very positive for Minproc. "It gives Minproc additional credibility as a potentially large Australian mineral sands producer," she commented.

Ms Archer warns, however, that the first stage, extracting the minerals is the easy part. She says: "It will be much harder to get the synthetic rutile into production and hardest of all to produce the pigment."

Bond Corp seeks injunction on claim by US noteholders

By Chris Sherwell in Sydney

BOND CORPORATION, fighting against the appointment of a receiver to its cash-generating brewing interests, yesterday lost a legal round in the Victorian Supreme Court while opening another tussle in the Western Australian courts.

The developments served to complicate further the already complex legal battle being waged by Mr Alan Bond, the Perth financier, to prevent his possible demise as one of Australia's entrepreneurial giants.

They also coincided with suggestions from the National Companies and Securities Commission (NCSC), the securities market watchdog, that its own various inquiries into controversial dealings by Bond companies could soon lead to the appointment of a special investigator.

In Melbourne, Mr Justice Beach of the Victorian Supreme Court decided that US holders of notes issued by Bond Brewing could be admitted as a party to the case currently before him.

The judge is hearing an application by Bond Brewing, a subsidiary of Bond Corporation, to have the court's appointment of receivers set aside. The court made the decision on December 29 in response to an application from a banking syndicate owed A$880m (US$697.3m).

In Perth yesterday, the Bond group began an action seeking an injunction freezing the US noteholders' move formally demanding a US$32m interest payment on a US$510m Bond Brewing borrowing plus repayment of the principal.

The noteholders made their move a week ago, and if successful would entail the winding up of Bond Brewing. But the Bond group maintains that the interest payment, due on January 1, was not made because of a stop-payment order by the receivers appointed by the Victorian court.

Regarding the possible appointment of a special investigator to Bond Corporation, this requires a decision by the ministerial council which ultimately controls the NCSC. Other companies which have been subject to special investigation include the collapsed Ariadne and Rothwells groups.

In recent months the NCSC has investigated at least three transactions involving the Bond empire. These include the A$1.2bn in loans by Bell Resources to Bond which became a deposit on its planned purchase of Bond's brewing assets, and Bond's sale of a Perth brewery site to FAI which contained controversial put-and-call option agreements.

● Elders IXL, producer of Foster's lager, at the weekend became the latest brewing group to indicate its interest in a part of Mr Bond's beer operations, Our Financial Staff adds.

It said it was keen to acquire the Swan unit in Western Australia despite a probable intervention by the Trade Practices Commission, the country's anti-trust watchdog.

● Qintex Entertainment said it reached a settlement with MCA of the US on litigation regarding distribution of certain MCA programming by Qintex, agencies report.

The revised arrangement has been approved by the bankruptcy court where Qintex filed for protection in October.

● L.J. Hooker, the US subsidiary of Hooker Corporation of Australia, received approval from a US bankruptcy court to retain Jones Lang Wootton to sell the company's five main commercial property holdings.

● Greetings Group, an Australian hotel operator, said receiver-managers have been appointed to handle its affairs because of acute liquidity problems.

BCI TO RECEIVE CTC DIVIDENDS

BOND CORPORATION International (BCI), the Hong Kong listed subsidiary of Mr Alan Bond's Australian business empire, is receiving some HK$400m (US$51.3m) in dividends for the year to last December from Compania de Telefonos de Chile (CTC) which controls about 95 per cent of Chile's internal telephone traffic, writes John Elliott in Hong Kong.

Mr Bond is believed to have had talks with his main banks, including Hongkong and Shanghai Banking Corporation, about whether to sell BCI's interest in this company. BCI first invested in January 1988 and now holds a 52.3 per cent stake.

CTC's results showed a profit of HK$747m in 1989, up 50 per cent on 1988. A total of 188,000 new lines were installed compared with 58,000 in 1988 and there were significant increases in public telephone and facsimile machine installations.

Mr Rob Stevenson, BCI general manager, said his company's share of CTC's dividends was the equivalent of about HK$0.39 a share.

Koor gains thinking time in debt crisis discussions

By Hugh Carnegy in Jerusalem

ISRAEL'S Koor Industries yesterday said it was postponing a key board meeting originally set for later this week to allow time for consideration of proposals to overcome its debt crisis currently being discussed by the Israeli Government, its trade union owners and Israeli bank creditors.

Koor, unable to service debts approaching $1bn, had said the company would face insolvency if it did not meet interest payments due on bonds issued in the US by January 25 and had scheduled a board meeting for the day before to decide the issue. It also suspended payments of interest and principal on all its debts until then.

It emerged yesterday, however, that the deadline the board had set itself was not as rigid as it had originally proclaimed. The grace period for the interest due on the US bonds does not expire until January 30, by which time it appears unlikely Koor's cash position will have changed.

The board will meet on January 29, but is clearly now awaiting the outcome of a meeting of Koor's owners and both its domestic and foreign creditors called by the Finance Ministry on January 30.

Bank Hapoalim, Koor's largest creditor which, like Koor, is owned by the Histadrut trade union federation, has formulated a rescue plan, described as "drastic," calling for contributions from all concerned parties, including the Government, to a restructuring of Koor's debts. Already seen by the Histadrut and the Finance Ministry, this plan will be discussed on January 30.

Bank officials said that at this stage offers to acquire a controlling stake in Koor by two foreign concerns, Shamrock Investments of California and the Belzberg brothers of Canada, were not being considered.

The key question is what will be the response of the foreign banks, led by Manufacturers Hanover, which have so far been highly sceptical of suggestions by the Israeli parties.

Kenwood lifts pre-tax 32%

By Our Financial Staff

KENWOOD, the Japanese maker of audio and communications equipment, boosted parent company pre-tax profit by 31.9 per cent in its year to November to reach Y4.05bn ($27.8m).

Although sales grew 6.3 per cent to Y145.8bn the company attributed a sharp jump in net earnings – to Y4.10bn from Y1.37bn – largely to disposals of property holdings. The final dividend is being held at Y2.50 a share for a maintained total for the year of Y5.

Kenwood is forecasting pre-tax profits of Y1.50bn for the interim four months and Y2.30bn for the subsequent six months to September. Sales are projected at Y50bn and Y80bn.

Gulf International to boost paid-up capital

GULF INTERNATIONAL Bank (GIB), an offshore bank based in Bahrain, plans to boost paid-up capital to BD400m ($1.06bn) from BD242m, AP-DJ reports.

GIB is owned by the governments of Saudi Arabia, Bahrain, Qatar, Oman, the United Arab Emirates, Kuwait and Iraq. It said capital raising measures could involve selling shares to private citizens.

INTERNATIONAL CAPITAL MARKETS

'Offshore banking haven seeks foreign applicants'

Cyprus's 'selective recruitment' drive will focus on the big industrial nations and exclude the Lebanese, says Kerin Hope

ONE OF the Cyprus Government's resolutions for the 1990s is to attract more offshore banks to match the island's growing importance as an international trading and shipping centre. In practice, that will mean making active efforts to encourage an American, West German or Japanese bank to come in, bankers say, while excluding more Lebanese banks from moving part of their operations to Cyprus.

Since 1982, 19 banks from 12 countries have set up in Cyprus, either as branches or locally incorporated subsidiaries of their parent bank. The latest arrivals were Piguet et Cie of Switzerland, Arab Jordan Investment Bank and Vnesheconbank of the Soviet Union. "There's room for some selective growth," says Mr Andreas Philippou, a senior banking supervisor at the Central Bank of Cyprus.

According to the bank's yearly audits, all the offshore banks have become profitable within three years of setting up on the island. Cyprus is seen as a suitable centre for activities in the Middle East, the Gulf and North Africa, while its time zone, overlapping with both Tokyo and New York at opposite ends of the working day, provides an added advantage.

Yet bankers express some uncertainty about future growth, particularly since Eastern Europe has become a focus of attention. "I think we've reached a plateau where OBUs [offshore banking units] are concerned," says Mr Mike Landon, manager of Barclays' offshore unit. "A few more big international companies may have to come in before we see another major bank here."

Most of the 5,000-odd offshore companies in Cyprus are brass-plate affairs that provide business for lawyers and accountants rather than bankers. But the foreign banks compete keenly to provide services for the 600 active offshore companies and their expatriate staff.

The biggest offshore operator is Federal Bank of the Middle East, a private Lebanese bank with assets estimated at more than $250m. "We have our headquarters here, but we do business as far away as Latin America," says Mr John Van Bentum, its deputy general manager.

The offshore banks are not required to keep any reserves with the central bank, although locally incorporated subsidiaries must maintain liquidity and gearing ratios. Deposits are not subject to tax at source, while banking secrecy is similar to that in Luxembourg.

The central bank is considering whether to request the offshore banks to publish consolidated accounts annually. Corporate tax for both banks and offshore companies is set at 4.25 per cent, one-tenth of the onshore rate. But they are both still liable to a 20 per cent surcharge on telephone and other communications charges, more than a year after government officials promised to find a way of reducing it.

However, the offshore banks are now permitted to provide project financing for Cypriot businessmen with full tax exemption if the finance ministry rules that it benefits the economy.

One area for development that is also favoured by the central bank is ship financing. The offshore banks are often approached by small owners, but find the risks offputting, while big shipping concerns have so far preferred to rely on specialist bankers in Greece or northern Europe.

Although the economy continues to flourish in the south of the island, the 15-year-old Turkish occupation of northern Cyprus remains an underlying cause for concern. As one banker put it: "The biggest incentive for offshore banking on Cyprus would be the certainty that the island will be reunited."

Dutch brokers resign over insider trading conviction

TWO DIRECTORS of Van der Hoop, a medium-sized Dutch stockbroker, have resigned in the most serious case of insider trading since it was outlawed in The Netherlands last year, writes Laura Raun in Amsterdam.

Mr W. A. Donker and Mr O. Bijl, two of the firm's three directors, were found to have used "price-sensitive" information before publication of Van der Hoop's 1988 annual report to trade in its shares, leading to "monetary profits," the Amsterdam Stock Exchange said.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday January 22, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	60.5367	35.1638	41.3541
Albania	(Lek)	10.075	6.1451	3.5695	4.1979
Algeria	(Dinar)	13.1692	8.0324	4.6657	5.4871
Andorra	(Fr Fr)	9.5950	6.8523	3.3994	3.9979
	(Sp Peseta)	182.25	111.1619	64.5704	75.9375
Angola	(Kwanza)	49.113a	29.9180	17.4005	20.4637
Antigua	(E Carr $)	4.4266	2.6999	1.5683	1.8444
Argentina	(Austral)	2953.00	1801.1588	1046.2356	1230.4166
Aruba	(Florin)	2.9347	1.7899	1.0397	1.2227
Australia	(Aus $)	2.0585	1.2555	0.7293	0.8577
Austria	(Schilling)	19.845	12.1043	7.0310	8.2687
Azores	(Port Escudo)	247.50	150.9606	87.6882	103.1250
Gabon	(CFA Fr)	479.75	292.6197	169.9734	199.8958
Gambia	(Dalasi)	13.525	8.2494	4.7918	5.6354
Germany East	(Ostmark)	2.8225	1.7215	1	1.1760
Germany West	(DMark)	2.8225	1.7215	1	1.1760
Ghana	(Cedi)	502.45	306.4653	178.0159	209.3541
Gibraltar	(Gib £)	1.00	0.6099	0.3542	0.4166
Greece	(Drachma)	262.70	160.2317	93.0735	109.4583
Greenland	(Danish Krone)	10.92	6.6605	3.8689	4.5500
Grenada	(E Carr $)	4.4266	2.6999	1.5683	1.8444
Guadaloupe	(Local Fr)	9.595	5.8523	3.3994	3.9979
Guam	(US $)	1.6395	1	0.5808	0.6831
Guatemala	(Quetzal)	4.6754	2.8517	1.6564	1.9480
Guinea	(Fr)	491.85	300	174.2604	204.9375
Pakistan	(Pak. Rupee)	34.80	21.2259	12.3294	14.5000
Panama	(Balboa)	1.6395	1	0.5808	0.6831
Papua New Guinea	(Kina)	1.5680	0.9563	0.5555	0.6533
Paraguay	(Guarani)	2059.27	1256.0353	729.5907	858.0291
Peru	(Inti)	21011.00	12815.4925	7444.1098	8754.5833
Philippines	(Peso)	35.70	21.7749	12.6423	14.8750
Pitcairn Is	(£ Sterling)	1.00	0.6099	0.3542	0.4166
	(NZ $)	2.6745	1.6312	0.9475	1.1143
Poland	(Zloty)	15783.00	9626.7154	5591.8511	6576.2500
Portugal	(Escudo)	247.50	150.9606	87.6882	103.1250
Puerto Rico	(US $)	1.6395	1	0.5808	0.6831
Falkland Is	(Falk £)	1.00	0.6099	0.3542	0.4166
Faroe Is	(Danish Kroner)	10.92	6.6605	3.8689	4.5500
Fiji Is	(Fiji $)	2.4398	1.4881	0.8644	1.0165
Finland	(Markka)	6.6147	4.0345	2.3435	2.7561
France	(Fr)	9.595	5.8523	3.3994	3.9979
Fr. Cty/Africa	(CFA Fr)	479.75	292.6197	169.9734	199.8958
Fr. Guiana	(Local Fr)	9.595	5.8523	3.3994	3.9979
Fr. Pacific Is	(CFP Fr)	173.00	105.5199	61.2931	72.0833
Namibia	(S A Rand)	4.2042	2.5643	1.4895	1.7517
Nauru Is	(Australian $)	2.0585	1.2555	0.7293	0.8577
Nepal	(Nepalese Rupee)	46.56	28.3989	16.4960	19.4000
Netherlands	(Guilder)	3.1800	1.9396	1.1266	1.3250
N'nd Antilles	(A/Guilder)	2.9511u	1.7977	1.0455	1.2296
New Zealand	(NZ $)	2.6745	1.6312	0.9475	1.1143
Nicaragua	(Cordoba)	38478.7	23469.7773	13632.8432	16032.7916
Niger Rep	(CFA Fr)	479.75	292.6197	169.9734	199.8958
Nigeria	(Naira)	12.79	7.8011	4.5314	5.3291
Norway	(Nor. Krone)	10.84	6.6117	3.8405	4.5166
Oman	(Rial Omani)	0.6309	0.3848	0.2235	0.2628
Virgin Is-British	(US $)	1.6395	1	0.5808	0.6831
Virgin Is-US	(US $)	1.6395	1	0.5808	0.6831
Western Samoa	(Tala)	3.745	2.2842	1.3268	1.5604
Yemen	(Rial)	15.9851	9.7499	5.6634	6.6604
Yemen PDR	(Dinar)	0.5574u	0.3430	0.1974	0.2322
Yugoslavia	(Dinar)	19.6694*	11.9971	6.9687	8.1955
Zaire Rep	(Zaire)	704.49	429.6980	249.5978	293.5375
Zambia	(Kwacha)	37.35	22.5983	13.1266	15.4375
Zimbabwe	($)	3.78	2.3055	1.3392	1.5750

Special Drawing Rights January 19, 1990 United Kingdom £0.797061 United States $1.30989 Germany West D Mark 2.24528 Japan Yen191.571 European Currency Unit Rates January 22, 1990 United Kingdom £1.38253 United States $1.16673 Germany West D Mark 2.03821 Japan Yen173.465

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currency fixed against the US dollar. Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries 01 634 4360/5. Monday January 22, 1990. *Yugoslav Dinar rebased and pegged to DM on 3/01/90 фSierra Leone devalued by approx 46pc on 15/01/90.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 22

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8⅝ 96	750	98⅜	98⅝	+0⅛	−0⅛	8.92
Alberta 9⅞ 95	600	101⅞	102⅛	+0⅛	−0⅛	8.87
Austria 9⅝ 93	140	101⅞	102⅜	+0⅛	−0⅛	8.80
B.F.C.E. 8⅝ 94	175	98⅜	98⅝	+0⅛	−0⅛	8.76
B.F.C.E. 9¼ 95	150	101⅜	101⅞	+0⅛	−0⅞	8.87
Brit. Tel. Fin. 9⅝ 98	250	101⅜	101⅞	0	−1⅛	9.11
Canada 9 96	1000	101½	102⅛	+0⅛	−0⅛	8.61
C.C.C.E 9⅛ 95	300	101⅜	101⅜	+0⅛	−0⅞	8.86
C.N.C.A 9⅛ 93	150	†100⅝	101⅛	+0⅛	−0⅛	9.06
Credit National 8⅛ 93	200	†98⅜	98⅝	+0⅛	−0⅛	8.73
Credit National 7⅞ 92	100	97	97½	+0⅛	−0⅛	8.74
Credit National 9⅛ 92	160	†101⅛	102	+0⅛	−0⅛	8.79
Dai-Ichi Kan 9⅝ 92	150	101⅛	101½	−0⅛	−0⅛	9.04

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99⅛	99½	−0⅛	+0⅛	6.72
Canada 5⅝ 93	60	96⅛	96⅝	−0⅛	−0⅛	6.77
Eurofima 5 1995	20	91½	92⅛	0	−1⅛	6.92
E.I.B. 4⅞ 93	30	94⅛	95	0	−0⅛	6.75
Ireland 5⅛ 93	30	93⅝	94⅛	0	−0⅛	7.24
Norway 5⅛ 95	50	92⅝	92⅞	0	−1	6.82
Sweden 4⅝ 93	50	93⅞	94⅛	+0⅛	−0⅛	6.70
World Bank 5⅛ 98	10	89½	90	0	−2	6.80
World Bank 7 94	20	100⅜	100⅞	−0⅛	−0⅛	6.81

Average price change... On day 0 on week −0⅛

US Treasuries slide ahead of heavy auction schedule

By **Janet Bush** in New York and **Martin Dickson** in London

US TREASURY bonds, still depressed by last week's hints from the US Federal Reserve that it would not ease monetary policy further, yesterday slid in advance of this week's substantial supply of new issues.

At midsession, short-dated maturities were quoted around $\frac{1}{8}$ point lower, but the long end of the market was around ¼ point lower.

The benchmark long bond was quoted $\frac{3}{8}$ point lower for a yield of 8.295 per cent.

This week's auction schedule is particularly heavy, with $5bn of Resolution Funding Corp bonds to be sold today as part of the continuing programme of bailing out the thrift industry. This is followed tomorrow with the sale of $10bn in two-year bonds.

There is even greater concern about the Treasury's quarterly refunding, details of which are to be announced on January 31 and which will be held next month.

The refunding is expected to be similar to the November auctions, when $10bn each of three-year, 10-year and long bonds were sold.

The background to the February refunding has been darkened because of the dramatic rise in Japanese government bond yields since the start of the year, which will make US issues much less attractive.

Bond economists at Griggs & Santow noted that, in real terms, Japanese bonds now yield more than Treasuries.

The bond market found scant comfort in a slightly improved performance in the Japanese market overnight. There is a great deal of economic data to be absorbed this week, including the first estimate of fourth-quarter gross national product on Friday and US durable goods orders for December.

Tomorrow afternoon the Tan Book of economic reports from regional Federal Reserve banks will be published and will be an important policy-making guide for the next Federal Open Market Committee meeting on February 6.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	93-15	-12/32	12.50	12.04	11.27
		10.500	5/99	95-15	-10/32	11.28	11.02	10.51
		9.000	10/08	89-04	-20/32	10.30	10.08	9.64
US TREASURY *		7.875	11/99	97-12	-4/32	8.27	8.13	7.82
		8.125	8/19	98-02	-10/32	8.30	8.18	7.90
JAPAN	No 111	4.800	6/99	89.2895	+0.368	6.65	6.49	5.76
	No 2	5.700	3/07	83.5097	+0.680	6.50	6.28	5.67
GERMANY		7 000	9/99	94.8800	-0.080	7.76	7.53	7.18
FRANCE	BTAN	8.000	10/94	91.6305	-0.031	10.30	10.15	9.74
	OAT	8.125	5/99	91.1600	-0.410	9.58	9.49	9.11
CANADA *		9.250	12/99	96.3250	+0.275	9.84	9.81	9.65
NETHERLANDS		7.500	11/99	94.3800	+0.013	8.35	8.12	7.81
AUSTRALIA		12.000	7/99	94.8077	+0.154	12.96	12.97	13.07

London closing. *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

■ UK GOVERNMENT bond prices dropped by nearly ¾ of a point at the long end yesterday, amid fears of a rash of new corporate bond issues.

The day began firmly, with prices up by $\frac{1}{8}$ at the long end, in a follow-through to last Friday's market rebound.

But the trend was reversed with the announcement of £125m of new bonds from British Telecom and an offer from the company to exchange £225m of old bonds for new ones.

This revived market anxiety about a rash of private-sector paper, which set a bearish market tone. The nervous mood was not changed by the release of data on UK output and unit wage costs, which increased concern that Britain might be slipping towards recession.

Volume was modest to light and analysts said they expected little heavy trading ahead of Friday's UK trade data. One house reported further Japanese selling of gilts across the market.

The benchmark 11¾ Treasury 2003/07 was quoted late in the day at 106¼, down $\frac{11}{32}$ on the overnight level, to yield 10.87.

In the futures market, despite firmer sterling, the March long gilt contract closed at 87.25, compared with 88.15 on Friday night, with a high of 88.26 and a low of 87.20.

■ CONTINENTAL European markets had a relatively quiet day, with most action concentrated in the futures markets rather than cash trades.

West German government bond futures began slightly firmer, with the March contract opening at 88.32, against a close of 88.12 on Friday night.

However, it then slipped back to a low of 87.90, finally closing at 87.97 after a day's high of 88.38. Over 34,000 contracts were struck.

The Federal Government's 7¼ per cent January 2000 bond was fixed at 96.90, unchanged from Friday's fixing, to yield 7.71 per cent, and was quoted around 10 pfennigs easier in late-afternoon trading.

Dealers said short covering and concern over forthcoming economic statistics accounted for much of the volatility in the futures market. The cash market remained very thin, with little or no retail interest – despite current high interest rates – amid concern over the Soviet Union.

■ IN FRANCE, the relative strength of the market last week on the back of good domestic economic data ebbed away and prices were dragged down by the general international bond market gloom.

The Matif March bond contract dropped 30 basis points on the day, going through a support level, to close at 102.10.

SEC brings in multiple listing for options

By Deborah Hargreaves

THE US options market experienced its first taste of competition yesterday as the Securities and Exchange Commission (SEC) abolished the lottery system that allocates new stock options for trading on an individual exchange.

As part of the introduction of multiple listing in the US options market, the five exchanges will meet in Washington today to discuss an electronic link between trading floors. A system to link the exchanges will enable brokerage firms to route their orders to the exchange offering the best price on an equity option.

The SEC has pushed for more competition in the options market to reduce the costs to the retail investor. However, it has backed down from its original plan to phase in multiple listing completely by early next year.

The options exchanges will compete only on new options issues until June 30, by which time they should have decided on a way to link the market. However, the SEC has also postponed its planned redefinition of new listing standards for equity options – also due out today – which has narrowed the choice of options available for dual listing.

By far the largest number of new options was launched yesterday by the Chicago Board Options Exchange (CBOE), the market leader in equity options. The CBOE is listing 24 stock options that are also listed on the American Stock Exchange (Amex) and the Pacific Stock Exchange.

At the same time, the Amex is listing Racal Telecom and Sotheby's Holdings as new, multiple traded options, with the Philadelphia Stock Exchange also listing Racal. Exchanges had hoped to list over 70 new issues if the SEC's new listing standards had gone ahead.

The options exchanges are divided over their support for multiple listings and today's meeting in Washington promises to provoke a lively debate given the difference of opinion over market linkage.

BT exchange offer brightens tone

By Deborah Hargreaves

AN INTERESTING issue for British Telecom brightened up the depressed Eurosterling market yesterday when Credit Suisse First Boston launched an exchange offer for up to £350m bonds.

The deal, which involved a straight issue of £125m new bonds maturing in February 1993 with a coupon of 13¾ per cent and an offer to issue a further £225m in exchange for previous BT notes, received a strong welcome in a difficult market which has left many investors wary in recent weeks.

INTERNATIONAL BONDS

The offer involves the exchange of £150m BT 9½ per cent bonds due March 1993 and £125m of bonds due July 1993. The deal involves the exchange of nine new notes for 10 old ones with accrued interest and a yield over gilts of 70 and 60 basis points respectively.

If investors decide to exchange their bonds, which they can do from today until February 7, it will create an extremely liquid benchmark issue in the short maturity sector of the corporate bond market.

The issue was considered by the market to be fairly generously priced and attracted some institutional buying away from the gilts market late yesterday as the government bond market continued its recent decline. It was trading at less 1¼ to less 1.20 bid, well within its fees, after its launch yesterday.

As BT provided a ray of light for the Eurosterling sector, a Y40bn issue for Denmark yesterday pointed to renewed European interest in the Euroyen market. The issue was swapped into dollars in spite of difficult conditions in the recent swap market.

Nomura's five-year issue carried a generous coupon of 7 per cent, which enticed many European institutions to take another look at the Euroyen sector. The deal was the first yen issue to be aimed at the European market for some time and was trading at less 1.80 to 1.75 bid – with fees set at 1⅞.

Lead manager Nomura sold only 65 per cent of the deal because of the difficult conditions in the market in the past few months. However, some European institutions see current conditions as a good buying opportunity and a chance to increase their underweight holdings of yen.

Japanese government bonds saw two relatively stable days prior to the launch which helped to encourage some wary investors after extremely volatile trading conditions in Japanese bonds in recent weeks.

Yesterday's other yen deal, the Y25bn issue for Abbey National, which carried a generous 7⅛ per cent coupon, was aimed at the Tokyo market and, as a result, saw little trading.

Uncertainty about the Tokyo stock market weighed heavily on a SFr600m deal for NKK Corp, which was privately placed in Switzerland. The issue was trading at less 3¾ to less 2¾ bid with its fees to co-managers set at 1⅝.

Primary prices in Switzerland stabilised yesterday as investor interest increased on the back of the recent 7 per cent coupons.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
British Telecom(e)◆	125	13¾	101.30	1993	1⅜/1⅛	CSFB
YEN						
Denmark, Kingdom of◆	40bn	7	101⅝	1995	1⅞/1¼	Nomura Int.
Abbey National Treasury Srv◆	25bn	7⅛	101¼	1993	1⅜/⅞	Daiwa Europe
PKbanken(d)◆	2bn	7.16	101½	1992	1⅛/⅝	Toyo Trust Int.
PKbanken(d)◆	3bn	8	101⅛	1992	1⅛/⅝	Toyo Trust Int.
US DOLLARS						
Maruzen Co.♦	200	(2¼)	100	1994	2¼/1½	Nikko Secs. (Europe)
Tokai Bank Nederland(a)◆	100	9½	102	2000	2/1¼	Bankers Trust Int.
AUSTRALIAN DOLLARS						
Bremer Landesbk Cap.Mkts(b)◆	40	15	101⅞	1993	1½/1	Norddeutsche Landesbank
SWISS FRANCS						
NKK Corp.(c)§★★	600	Zero	100	1995	1⅝	UBS

★★Private placement. ♦With equity warrants. §Convertible. ◆Final terms. a) One call at par in May 1993. b) Non-callable. c) Put option 30/9/92 at 108⅞ to yield 3.238%. d) Redemption linked to Nikkei stock index. Bull/bear notes. e) In addition up to £225m may be issued under an exchange offer: £150m 9½% March 1993 and £100m 9¼% July 1993. Nine new notes will be offered for 10 old notes with cash adjustment and accrued interest.

Warburg buys 10% stake in Taiwanese firm

By David Lascelles, Banking Editor

S. G. WARBURG, the London merchant banking group, has bought a 10 per cent stake in Taiwan Securities Co, a leading Taipei securities firm, for £2.87m ($4.74m). Taiwan Securities' other shareholders include Shin Kong Group, a Taiwan life insurer, and Nomura and Sanyo, two large Japanese securities houses.

Taiwan Securities was formed in October 1988 after a change in the regulations permitting the formation of new securities houses. The investment reflects Warburg's growing interest in South-east Asia where it is now represented in Hong Kong, Singapore, Seoul and Kuala Lumpur.

Intex electronic exchange idea 'ahead of its time'

INTEX, which proved such a drain on the capital of Dominion International, the UK financial services company which has sought protection from its creditors, was hailed as the world's first truly electronic exchange when it was launched amid a fanfare of publicity in October 1984, writes Deborah Hargreaves.

However, the concept never caught on and the exchange failed to attract the sort of participation that would make it viable. Intex traded three futures contracts on freight rates, a stock index and gold.

But contract volume seldom rose above 1,000 to 2,000 lots a month, minimal by the standards of futures markets worldwide. Mr Tom McKiernan, Intex president appointed to rescue the moribund exchange in 1987, said its concept was ahead of its time.

But with no cash or open outcry trading in the instruments underlying Intex' futures contracts, the exchange could not compete for liquidity against established markets.

After trying to harness Intex to an open outcry market, Mr McKiernan gave up two years ago and announced he was looking for a buyer for the exchange. It ceased trading in 1988 and Mr McKiernan entered into a joint venture with Telerate to offer systems and software for sale to futures exchanges. Beyond some consulting work for a couple of exchanges, the venture has not gone very far.

IPMA increases Japanese representation

By Stephen Fidler, Euromarkets Correspondent

THE International Primary Market Association (IPMA), the trade group of the new-issues sector of the Eurobond market, has expanded the representation of Japanese houses on its board.

The board decided on four Japanese members (up from three), although the decline of the importance in the yen last year would have suggested a representation of two.

The increase is meant to reflect the role of Japanese securities firms, which occupied the top four places in new-issue rankings last year, in sectors of the market other than the yen.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Monday January 22 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Jan 19: Index No.	Thu Jan 18: Index No.	Wed Jan 17: Index No.	Year ago (approx): Index No.
1	CAPITAL GOODS (203)	896.41	-1.4	12.68	4.76	9.62	0.39	909.38	909.98	924.64	849.31
2	Building Materials (27)	1103.39	-1.2	14.27	5.12	8.74	0.00	1116.91	1118.83	1135.88	1053.38
3	Contracting, Construction (36)	1527.18	-0.6	16.31	5.17	8.04	0.04	1536.30	1530.45	1545.58	1597.70
4	Electricals (10)	2597.85	-0.3	10.36	4.79	12.13	0.00	2606.80	2602.30	2628.37	2469.42
5	Electronics (30)	1925.68	-1.5	9.33	3.75	13.85	0.00	1954.32	1945.65	1994.59	1932.97
6	Engineering-Aerospace (8)	453.06	-1.1	13.27	4.87	9.30	0.04	458.30	459.91	466.85	0.00
7	Engineering-General (45)	487.40	-0.7	11.48	4.80	10.51	0.15	490.62	488.54	493.05	0.00
8	*Metals and Metal Forming (6)*	*464.31*	*-0.2*	*25.40*	*6.48*	*4.44*	*0.00*	*465.39*	*466.26*	*474.51*	*487.65*
9	Motors (16)	379.67	-1.0	13.97	5.56	8.40	0.00	383.51	383.34	389.38	281.12
10	Other Industrial Materials (25)	1612.86	-2.8	10.44	4.47	11.12	2.70	1658.93	1671.31	1699.48	1423.88
21	CONSUMER GROUP (179)	1279.89	-1.4	8.88	3.71	14.08	0.62	1298.33	1296.80	1316.62	1095.49
22	Brewers and Distillers (22)	1512.18	-1.7	9.48	3.48	13.10	0.00	1538.89	1524.09	1543.12	1197.16
25	Food Manufacturing (19)	1121.46	-1.4	9.68	3.94	12.82	1.48	1137.54	1130.66	1144.35	990.84
26	Food Retailing (16)	2284.98	-0.5	8.99	3.31	14.43	3.63	2297.28	2292.59	2322.92	1938.03
27	Health and Household (13)	2530.12	-1.8	6.19	2.59	19.24	0.03	2577.07	2587.91	2644.93	1943.23
29	Leisure (33)	1607.34	-1.5	8.37	3.68	14.72	0.24	1631.61	1626.18	1651.25	1441.70
31	Packaging & Paper (15)	586.39	-0.3	11.23	4.92	11.19	0.44	587.96	585.54	592.17	568.14
32	Publishing & Printing (17)	3594.48	-1.2	8.75	4.91	14.76	3.12	3637.67	3635.88	3691.90	3462.79
34	Stores (31)	779.32	-1.3	11.21	4.82	11.61	0.25	789.48	791.43	805.81	727.86
35	Textiles (13)	511.25	-1.5	11.31	5.86	10.72	0.00	519.13	521.58	528.46	499.39
40	OTHER GROUPS (102)	1168.05	-1.3	10.97	4.77	10.92	0.06	1182.93	1182.96	1197.82	959.33
41	Agencies (16)	1563.28	-1.7	6.76	2.30	18.16	0.05	1589.77	1562.74	1571.82	1165.63
42	Chemicals (22)	1212.61	-1.4	12.51	5.31	9.42	0.27	1229.84	1228.92	1250.03	1094.77
43	Conglomerates (13)	1625.12	-1.5	11.18	5.99	10.47	0.00	1650.88	1654.18	1669.42	1336.77
44	*Transport (13)*	*2278.94*	*-1.0*	*10.62*	*4.22*	*12.00*	*0.00*	*2301.89*	*2300.73*	*2339.34*	*2022.93*
46	Telephone Networks(2)	1185.64	-1.4	10.71	4.32	12.14	0.00	1201.90	1209.76	1230.80	1044.03
47	Water(10)	1964.98	-0.3	17.73	6.89	6.24	0.00	1970.22	1959.73	1974.10	0.00
48	Miscellaneous (26)	1900.00	-1.1	9.33	4.33	12.09	0.13	1921.50	1919.71	1935.18	1294.66
49	INDUSTRIAL GROUP (484)	1163.73	-1.4	10.47	4.30	11.69	0.40	1179.90	1179.18	1196.79	1011.02
51	Oil & Gas (16)	2287.82	-1.9	9.43	4.99	14.01	0.00	2331.25	2329.20	2363.16	1871.35
59	500 SHARE INDEX (500)	1258.10	-1.4	10.33	4.39	11.96	0.37	1276.46	1275.64	1294.63	1084.03
61	FINANCIAL GROUP (114)	823.60	-0.9	–	5.16	–	0.18	830.85	835.21	845.07	714.22
62	Banks (9)	864.74	-0.6	19.82	5.80	6.63	0.00	869.83	875.35	883.95	708.90
65	Insurance (Life) (7)	1349.67	-1.5	–	4.92	–	0.00	1370.47	1385.60	1415.86	1037.87
66	Insurance (Composite) (7)	685.42	-1.9	–	5.52	–	0.00	698.82	701.82	711.10	560.99
67	Insurance (Brokers) (6)	1126.68	-0.5	6.59	5.60	20.19	0.00	1132.14	1130.80	1131.87	973.18
68	Merchant Banks (8)	481.13	+0.5	–	3.70	–	0.00	478.88	479.35	485.73	328.26
69	Property (49)	1183.58	-0.8	7.75	3.43	16.33	0.11	1192.82	1196.78	1209.49	1245.24
70	Other Financial (28)	337.86	....	12.49	6.24	10.50	1.04	337.78	338.60	341.83	364.15
71	Investment Trusts (68)	1229.51	-0.6	–	2.96	–	0.27	1237.44	1236.74	1253.46	998.33
91	*Overseas Traders (5)*	*1514.03*	*-1.0*	*9.23*	*5.25*	*12.61*	*0.00*	*1528.70*	*1526.22*	*1544.03*	*1320.99*
99	ALL-SHARE INDEX (687)	1153.98	-1.3	–	4.47	–	0.32	1169.46	1169.74	1186.53	993.14

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Year ago
FT-SE 100 SHARE INDEX‡	2297.1	-37.9	2346.4	2297.1	2335.0	2336.9	2373.9	2349.1	2366.2	1924.7

FIXED INTEREST

	PRICE INDICES	Mon Jan 22	Day's change %	Fri Jan 19	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	114.36	-0.13	114.51	–	1.20
2	5-15 years	124.74	-0.46	125.58	0.26	0.69
3	Over 15 years	133.75	-0.80	134.83	–	0.00
4	Irredeemables	151.92	+0.08	151.81	–	0.00
5	*All stocks*	*123.84*	*-0.39*	*124.46*	*0.15*	*0.80*
	Index-Linked					
6	Up to 5 years	140.58	-0.03	140.62	–	0.00
7	Over 5 years	137.42	-0.23	137.73	–	0.47
8	All stocks	137.54	-0.22	137.83	–	0.44
9	Debentures & Loans	102.81	-0.04	102.85	–	0.31
10	Preference	83.51	....	83.51	–	0.16

	AVERAGE GROSS REDEMPTION YIELDS		Mon Jan 22	Fri Jan 19	Year ago (approx.)
	British Government				
1	Low	5 years	10.76	10.68	9.15
2	Coupons	15 years	10.27	10.22	8.89
3		25 years	10.12	10.08	8.84
4	Medium	5 years	11.98	11.88	10.13
5	*Coupons*	*15 years*	10.66	10.56	9.39
6		25 years	10.23	10.16	9.05
7	High	5 years	12.09	12.01	10.40
8	Coupons	15 years	10.84	10.75	9.55
9		25 years	10.34	10.27	9.16
10	Irredeemables	†	10.12	10.13	8.89
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.19	4.17	3.53
12	Inflation rate 5%	Over 5 yrs.	3.78	3.76	3.70
13	Inflation rate 10%	Up to 5 yrs.	3.24	3.22	2.22
14	Inflation rate 10%	Over 5 yrs.	3.60	3.58	3.52
15	Debs &	5 years	13.10	13.10	11.70
16	Loans	15 years	12.61	12.61	11.32
17		25 years	12.61	12.60	10.99
18	Preference	†	11.07	11.07	10.16

‡Opening index 2346 3; 10 am 2332 6; 11 am 2328 0; Noon 2324.9; 1 pm 2328 2; 2 pm 2327.5; 3 pm 2324 8; 3 30 pm 2317.2; 4 pm 2308.0 (a) 9 09am (b) 5.00pm † Flat yield Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	7	82	11
Corporations, Dominion and Foreign Bonds	0	13	27
Industrials	230	486	893
Financial and Properties	142	194	361
Oils	22	32	39
Plantations	0	2	8
Mines	20	69	71
Others	64	84	108
Totals	485	964	1,518

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1989/90 High	1989/90 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	–	101	97	Abtrust New Thai Inv.	99	-1	–	–	–	–
[illegible]											
975	F.P.	–	78	69	‡Micklegate Group 1p	71	+1	R2.25	3.4	4.2	8.3
240	100	–	182	100	Northumbrian Water	175	-1	R16.1	3.6	6.8	4.4
95	F.P.	–	72	55	*Oxford Virology 5p	66	+1	–	–	–	–
†	F.P.	–	11	10½	*Polysource Hldgs. 5p	10½	-½	–	–	–	–
10	F.P.	–	12	10	Prospect Inds. 5p	11½		L0.3	2.8	3.5	8.5
240	100	–	157½	100	Severn Trent	140	-1½	R14.85	3.0	7.1	4.8
925	F.P.	–	40	25	‡Storm Group 1p	37		–	–	–	59.7
†	F.P.	–	16½	12½	‡Surrey Group 5p	14½		R0.23	3.3	2.1	13.6
†	F.P.	–	195	195	Sutton Dist. Water A 1p	195		–	–	–	–
†	F.P.	–	130	130	Do. 8 1p	130		–	–	–	–
–	F.P.	–	43	36	TR High Inc. Sub. 0.01p	43		–	–	–	–
240	100	–	169	100	Thames Water	153	-1½	R14.58	2.4	6.6	7.1
£2400	£1000	–	£1670	£1000	Water Package Units	£1568	-15	–	–	–	–
240	100	–	169	100	Welsh Water	167		R16.75	2.9	7.3	5.2
240	100	–	182	100	Wessex Water	165	+1	R15.21	2.6	6.6	6.3
240	100	–	186	100	Yorkshire Water	172	+6	R15.42	2.4	6.6	7.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+ or -
-	F.P.	–	85p	73p	Bear Brand 10¾pc (Net) Cr.Cm.Pf	78p	
98 94	F.P.	–	99¾	94¼	British Inv. Tst. 11¼pc Sec. Db 2012	94½	+¼
89.65	£30	–	30½	28½	Brixton Est. 10⅝pc 1st Mtg Db 2012	28⅞	+⅛
‡99.68	F.P.	–	100⅝	95¾	Foreign & Col. 11¼pc Db. 2014 £100	96⅝	+⅛
‡	£50	–	56	53	Grosvenor Dev. Cap. 7½pc Uns.Ln.1999	56	+1
100	F.P.	–	100	97	Datatech 12pc Cv.Uns.Ln 2000	97	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+ or -
11	Nil	–	1½pm	½pm	‡Audio Fidelity 10p	½pm	-½
18	Nil	–	10½pm	6¼pm	Ariva Petroleum	8½pm	-1½
280	Nil	–	27pm	19pm	Cook (Wm.) 20p	19pm	-3
100	Nil	–	8pm	1¼pm	Medirace 10p	1¼pm	-¼

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast, annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¥ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. §Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Jan 22
- Last Dealings Feb 2
- Last Declarations Apr 26
- *For settlement May 8*

For rate indications see end of London Share Service

Calls in: Saatchi & Saatchi, Lowndes Queensway, Mounteigh, Highland Dist., Trident, Atlantic, Rotork, Amber Day, Polymark, Coloroll, Spring Ram, Pentland. Put in: Cowie (T.).

LONDON TRADED OPTIONS

THE LONDON traded options market had a relatively busy start to the week, trading 26,163 contracts yesterday. Business was relatively evenly spread between calls and puts, with calls totalling 14,006 contracts and puts 12,157.

The FT-SE 100 index option had a slow start compared with its daily volume at the end of the previous week. Volume finished the day at something over 9,000 contracts.

Index option business was again fairly evenly split with calls totalling 4,259 contracts and the puts 5,280. The most active FT SE series was the January 2,300 puts which traded more than 1,600 contracts; January 2,350 calls traded over 1,200. The underlying cash market closed sharply off, losing almost 38 Footsie points to end the session below 2,300.

Although market volume in individual issues was relatively high, it was spread between all 67 individual stock options. The busiest option of the day was British Gas, trading a total of 2,166 contracts. Gas business was concentrated in calls with a total of 1,398 compared to 768 puts. The June 240 calls were most actively traded and the series total on the day was 704 contracts.

Hanson also traded high volumes with business concentrated in put buying. Total Hanson volume was 1,346 contracts, spread between 946 calls and 400 puts. *The most active series was May 240 calls which traded a total of 410 contracts.*

[illegible]			

January 22 Total Contracts 26,163 Calls 14,006 Puts 12,157
FT-SE Index Calls 4259 Puts 5280
*Underlying security price. † Long dated expiry months

WPP back on acquisition trail with US purchase

By Nikki Tait

WPP, the UK-based advertising and marketing services group, has returned to the acquisition trail with the purchase of Thomas G Ferguson Associates, a specialist healthcare marketing and advertising communications agency. Ferguson is headquartered in New Jersey, US.

The total maximum consideration is $41.7m (£25.4m) but, like most of WPP's deals, the acquisition is structured on an "earnout" basis.

The UK group will pay an initial $12.5m, of which $10m is in cash and the rest in WPP shares. Further stage payments, based on average after-tax profits for the years ending 1991, 1993 and 1994, will then follow.

The total consideration will be based on a multiple of ten times average after-tax profits for the three years to end-1994.

Just over a year ago, WPP made another significant move into the healthcare marketing services field with the purchase of HLS Corporation, also based in New Jersey. The maximum consideration in this case was $55.9m. WPP said yesterday that HLS and Ferguson would remain separate and report independently into the UK head office.

The Ferguson deal comes after a relatively quiet period for WPP in terms of acquisitions. Last Spring, the UK group – which already owned the J Walter Thompson network – took over Ogilvy & Mather, the large US-based agency group for $864m but since then it has announced only a handful of smaller deals.

Ferguson was founded in 1974 and is based in Parsippany, New Jersey. Pre-tax profits in the year to end-1989 were over $2.2m, and post-tax profit, over $1.3m. Senior management have signed long-term service agreements and will remain with the company.

WPP said that healthcare revenues are worth $4.5bn worldwide and have been growing at over 20 per cent a year.

NatWest USA incurs $140m loss

By David Lascelles, Banking Editor

NATWEST USA, the American subsidiary of the National Westminster Bank group, reported a net loss of $139.5m (£84.9m) for 1989, mainly because of the impact of large provisions against shaky Third World loans.

This compared with a 1988 profit of $129.9m.

NatWest USA earned $135.1m from its core operations, up from $127.1m the year before, thanks to a rise in both net interest income and fees.

Progress was also made in containing costs.

But the bank was forced to make a total of $422.4m in loan loss provisions, including $295m for problem country debt, and $89.9m for real estate construction lending which has been hit by the slump in the north eastern US housing market.

These provisions are in line with those made by other US banks.

The hard times facing NatWest USA have prompted its UK owner to apply the brakes to its US expansion strategy. The bank has decided not to proceed with any more acquisitions until the outlook becomes clearer. However, in the long term NatWest is aiming to raise its US assets from their present level of $22bn to $50bn.

Low & Bonar packaging venture

By Clare Pearson

LOW & BONAR, the Dundee-based packaging, plastics and textiles group, is putting its flexible packaging interests into a UK joint venture with Constantia Group of Austria in a deal worth more than £8m.

Constantia, with interests in wood products and various types of packaging, is buying technology together with a stake in Low & Bonar's business for £6m.

It will also subscribe £2.3m cash to bring its holding in the new joint venture to 50 per cent.

This company will then acquire Teich Aluminium (UK), Constantia's UK operation, for £300,000, approximately equal to its net assets. Constantia has total annual flexible packaging sales of about £140m, but only a small fraction of these are in the UK.

L&B's two flexible packaging operations at Dundee and Derby made pre-tax profits of around £400,000 on sales of some £25m in the year to December 2. Total net assets were £6.6m. Flexible packaging accounts for about a quarter of European packaging sales.

L&B said the deal would create "a strong commercial link with one of Europe's major packaging groups and provide further opportunities for European expansion".

Franke ups Carron Phoenix offer

By John Thornhill

THE STRUGGLE for control of Carron Phoenix intensified yesterday as Franke Holdings, the Swiss-based holding company, announced it would raise its offer for the Falkirk-based sink manufacturer from 73p to 90p per share.

The move was prompted by the revelation last Friday that Blanco, a West German sink manufacturer, had bought 1 per cent of Carron Phoenix's shares at prices up to 85p and might have been considering a bid.

Carron Phoenix's shares closed up 5p at 91p yesterday.

Franke's revised offer values Carron Phoenix at about £10.3m which represents a multiple of 75 times historic earnings. Analysts pointed out, however, that this valuation was rather misleading as Carron Phoenix experienced "an unusually bad trading year in 1989.

Carron Phoenix's board is considering whether to recommend Franke's revised offer, but is currently advising shareholders not to sell their shares in the market until the situation has clarified.

Franke launched a £8.32m recommended cash offer on January 2 which valued each Carron Phoenix share at 73p, topping an earlier £6.8m bid from Group Béné, a private French company, which was worth 60p per share.

Unless a higher bid is made on or before Wednesday, 31, the venture capital company which has a 21.4 per cent shareholding in Carron Phoenix, has agreed to accept Franke's offer. Franke already owns 5.34 per cent of Carron Phoenix's shares and bought more shares in the market yesterday at 90p apiece.

Carron Phoenix is one of the UK's largest sink manufacturers and, analysts said, offers an attractive entry point into the UK market for continental companies.

SHARE STAKES

Changes in company share stakes announced recently included:

Anglia TV Group: Morgan Grenfell Group has disposed of 90,000 ordinary over a period. Total holding is now 2.72m (6.2 per cent).

Associated Farmers: BJ Hoar now holds 324,000 ordinary (11.02 per cent).

Barlows: Stancroft Trust, a company controlled by NW Berry, Barlows chairman, has acquired 751,370 shares from Allied Leather Industries at 100p per share, taking shares controlled by him to 3.21m.

BAT Industries: The company has purchased for cancellation 1m ordinary at 840p each.

Bilton (Percy): Schroder Investment Management bought 2.76m ordinary (6.39 per cent).

Blacks Leisure: B Garbacz, a director, has disposed of 300,000 shares, 250,000 at 74p and 50,000 at 78p, cutting his holding to 2.52m (12.2 per cent).

Cabra Estates: Company purchased for cancellation 1.35m shares, 850,000 at 77p and 50,000 at 80p.

Cambridge Electronic: Confederation Life Companies hold 2.79m shares (6.53 per cent)

Castle Communications: Gartmore Investment total holding is now 877,397 ordinary (17.27 per cent).

Chesterfield Properties: The company has purchased for cancellation, 75,000 ordinary shares at 775p per share.

Chloride Group: TT Group has sold 3.05m shares at 35p per share reducing its holding to 3.75m (1.57 per cent).

Continuous Stationery: TR Trustees Corporation bought 200,000 ordinary at 66p, increasing stake to 1m (5.96 per cent).

CST Emerging Asia: London and Manchester Group hold 750,000, London and Manchester Assurance 450,000, Bank of Scotland Trustee of London and Manchester Unit Trust 300,000.

Edmond Holdings: Willesley Clay has acquired 250,000 shares taking its holding to 11.79m (23.34 per cent).

ERF (Holdings): Scottish Amicable Investment Managers has raised its holding to 1.08m (11.1 per cent).

Farnell Electronics: Funds under management of Postel Investment Management own a total of 5m shares (3.9 per cent). Funds under management of IC Investment Management control a stake of 5.05 per cent or 6.46m shares.

F and C Enterprise Trust: Company bought at 15p each for cancellation 10,000 original warrants to subscribe for ordinary, leaving 4.23m original warrants and 3.61m series 'B' warrants outstanding.

Flexello Castors and Wheels: Richard Marcel Menko, director, has disposed of 5,000 ordinary at 166p per share and now holds 25,000 shares (6.8 per cent).

Garton Engineering: the pension fund trust of National Farmers Union Mutual Insurance purchased 54,200 shares, lifting holding to 6.66 per cent.

Gent (SR): Peter Wetzel, director, sold 50,000 ordinary to reduce holding to 12.82m (34 per cent).

Helical Bar: Company bought 50,000 ordinary of its own shares for redemption.

Lawtex: United Overseas bought 45,000 shares and now holds 745,000 (18.63 per cent).

LWT (Holdings): Warburg Pincus Capital and Warburg Pincus and Co have disclosed an interest in 5.48m convertible cumulative preference shares.

Malaysian Smaller Co: Equitable Life Assurance Society and its subsidiaries are interested in 122,143 warrants (15.2 per cent).

ML Laboratories: Milner Laboratories sold 985,010 ordinary reducing stake to 18.72m (75.05 per cent).

Phoenix Timber: Mercurins Gruppen has increased its interest by 290,000 shares to 1.56m (10.8 per cent).

Sanderson Murray: Mrs M Harris, Mr and Mrs AJ Melton and Mr RW Leinster no longer have a notifiable interest in company, resulting from the acquisition of 877,000 shares by Mr DC Bramall. Allied Textile sold 24,764 shares and reduced interest to 170,000 (8.9 per cent).

Sidlaw Group: M and G Pensions and Annuity has a holding of 1.87m shares (5.94 per cent).

Yule Catto: 500,000 ordinary shares have been purchased on behalf of the Lord Catto Grandchildren Settlement at 130p each.

COMPANY NEWS IN BRIEF

ANTOFAGASTA HOLDINGS has taken up its full entitlement to 17.19m C shares in Banco O'Higgins issued by way of rights. The amount subscribed was $7.6m.

ARNOTTS will withdraw from wholesaling with effect from June 1 1990. That division, which is engaged in distributing clothing and other goods throughout the Republic of Ireland, is expected to incur a loss for the year ended January 1990. Resources will be concentrated into the main retailing business.

ASHTEAD has acquired Banson Tool Hire of Hartlepool which will be relocated to an adjacent site with additional capacity to house a wider range of products. It is Ashtead's first venture into the north east.

ASSOCIATED FARMERS has acquired the business and certain assets of Suffolk-based Agricultural Ceramics for a total £155,321 cash. Further profit-related payments, to a maximum of £400,000, may be paid. Associated has also received conditional planning approval for 1.7 acres of land previously to be used for residential development.

BUILDER GROUP: Tyrroll owns 91.05 per cent of the shares and offer declared unconditional.

Dutch group pays Addison £1m cash for Streets

By Alice Rawsthorn

ADDISON Consultancy Group, the market research company which last year was embroiled in boardroom splits and bid rumours, has sold Streets, its financial public relations consultancy, to Thomas and Kleyn International, the Dutch corporate communications group, for £1m cash.

The sale forms part of a trend for European marketing companies to invest in UK financial public relations. Two weeks ago Boulet Dru Dupuy Petit, the French advertising agency, bought a holding in the Broad Street Group.

TKI, which has been searching for acquisitions in the UK for over a year, sees Streets as a base from which to build a corporate communications business across Europe.

Mr Tom Martojo, chief executive officer, said it envisaged expanding Streets by start-ups and acquisitions in other countries. TKI also intends to stage further acquisitions in its own field of corporate communications. He expects to announce the purchase of two companies in France and West Germany this spring.

TKI recently regained its independence after a management buy-out from Valin Pollen International, the UK corporate communications company. It made gross income of £4.75m in 1989 and expects its income to increase to £7.3m this year after the addition of Streets.

Streets became part of Addison in 1986, after its merger with the Chetwynd Streets group. Streets was then one of the largest financial PR companies in London. At its peak in 1987 it employed 150 people with gross income of £5.9m.

Its fortunes faltered in the autumn of 1987 when a group of senior executives broke away to form Citigate. By 1988 Streets had tumbled into losses. It now has gross income of about £2.3m and is expected to return to profit this year.

The disposal forms part of Addison's restructuring under a new senior management team. Addison has sold a series of subsidiaries – including the Chetwynd Haddons advertising agency – to concentrate on its market research interests.

Assoc Leisure purchases Hazel Grove for £13m

By Andrew Bolger

Associated Leisure, the UK's leading amusement machine operator and a subsidiary of Mecca Leisure Group, is increasing its European presence with the £13m purchase of Hazel Grove Music.

Associated Leisure said Hazel Grove dominated the Spanish and French table pool markets with its Superleague brand.

The purchase would give Associated its first operation in Spain and strengthen its business in France.

Mr John Kelly, managing director, said Hazel Grove would be the platform for further overseas expansion.

Hazel Grove operates 2,000 amusement machines in the north-west of England, Yorkshire and Birmingham.

Shopping for the best pieces of furniture

Michael Skapinker on why Thomson has declined to bid for Ferranti

IF THREE wealthy buyers put in offers for a country home and all then make a hasty withdrawal after seeing the structural survey, it is safe to assume that they are worried about more than the colour of the carpets.

So when Thomson-CSF, the French defence company, last week became the third major European defence contractor to announce that it was no longer interested in bidding for Ferranti International, people naturally wondered whether it had discovered that Ferranti's troubles went further than has so far been revealed.

Thomson's withdrawal followed similar announcements last December by British Aerospace and Daimler-Benz, the West German industrial group, that they, too, were not interested in bidding for Ferranti.

It is understood, however, that Thomson did not discover any new disasters waiting to engulf Ferranti, beyond the £215m alleged fraud which has blown a hole in the UK defence and electronics group's balance sheet.

Nor did Thomson pull out because it wanted to return to the fray later, freed from the obligation to pay 56p a share for Ferranti. It had been thought that Thomson would have had to get permission from the Takeover Panel to make a lower bid. This is because BAe last year acquired shares in Ferranti at 56p when it was contemplating making a joint bid with Thomson. Ferranti's shares closed on Friday at 27½p.

It is believed that Thomson was confident that if it had made a formal offer for Ferranti it could have argued the case for a cheaper bid with the Takeover Panel.

Nor did Thomson withdraw in the face of objections from the UK Ministry of Defence that it did not want to see Ferranti nationalised by the French government. Thomson-CSF is majority-owned by the nationalised Thomson group. The MoD is thought to have been neutral about the prospect of a Thomson takeover.

So why, then, did the French company pull out?

It appears to have been daunted by the prospect of taking over a company as troubled as Ferranti. Thomson has just bought a large part of the defence interests of the Dutch Philips group. To take on the additional task of dealing with Ferranti would have been an enormous drain on the French group's management resources.

Although Thomson is not thought to be aware of any legal action that affected parties might want to take against Ferranti, any potential buyer is likely to be worried about the possibility of such actions being brought in the future.

Above all, Thomson did not want the whole of the Ferranti business. It is still interested in acquiring some of Ferranti's activities, but it is unlikely to return to make a full bid, notwithstanding its statement last week that it might think about bidding again in the event of a bid from someone else or some other material change in Ferranti's circumstances.

In any event, a bid from someone else looks highly unlikely before February 5, when Ferranti's shareholders will be asked to approve a £167m rights issue.

Sir Derek Alun-Jones, Ferranti's chairman and chief executive, said last week that "given the certainty of the rights issue, we have no need to conduct a fire sale. We're not up with our backs against the wall." It is true that the rights issue, which is fully underwritten, will give Ferranti a breathing space.

After that, however, several companies – including some of those which have ruled out a full takeover – will be back. Thomson is likely to want to re-enter the fray. So is the General Electric Company of the UK, thought to be interested in Ferranti's radar business.

They will not lack company. Thomson and the defence and electronics groups which join it are unlikely to end up buying the whole house. But they will certainly be interested in making off with the fancier fixtures and fittings.

Bullers calls for £5m to assist expansion plans

By Clare Pearson

THE NEW management at Bullers, a maker of fine arts and giftware, has launched an ambitious expansionary move comprising two acquisitions, an investment in a US home products store operator, and a five-for-four rights issue.

The companies being bought are Tallix, a US art foundry based outside New York, and Glenlomond, a Scottish manufacturer of wooden fire surrounds.

The investment is in East Bay Hardware and Marine, which will operate an outlet for Bullers' decorative accessories in Rhode Island. The rights issue at 25p per share will raise about £5.1m net of expenses.

Consideration for Tallix is £1.3m cash and the issue of 606,612 new shares. Bullers is also paying about £290,000 for Tallix loan notes owned by the vendors. For Glenlomond, it is paying £2.4m cash. The stake in East Bay comes for a nominal sum, but Bullers is making a £190,000 loan to the company.

Mr Brian Schneider, a former corporate finance director at Rea Brothers, the merchant bank, and Mr David Abramson joined the board of Bullers and took control of its direction after shareholders last May voted out the previous chairman, Mr John Briggs, at the annual meeting.

Since then, they say they have tidied up the company into three divisions: giftware, art foundries and decorative accessories. Mr Schneider is chief executive.

After trading at broadly break-even in the second half, according to Mr Schneider, the company estimates pre-tax profits for 1989 of at least £100,000. The loss per share is estimated to be 0.3p. Directors expect to recommend a final dividend of 1.5p making a same-again 2p for the year.

Abbey National expands with £41.8m French bid

By David Lascelles, Banking Editor

ABBEY NATIONAL, the newly floated bank, announced its first foreign acquisition yesterday.

It is paying about FFr400m (£41.8m) for Ficofrance, a French mortgage lending company based in Cambrai with 12 regional offices and total assets of FFr4.9bn.

In 1988, Ficofrance's profits after tax were FFr38m. Its net asset value is FFr447m, which means that the purchase price does not include any goodwill.

Simultaneously, Abbey yesterday announced an agreement with Monceau, a mutual insurance group, to launch endowment mortgages in the French market.

Mr Peter Birch, group chief executive, said his bank's entry into the French market "is part of our careful expansion into closely related business activities. Our policy has always been to concentrate on those areas in which we have considerable expertise."

The acquisition marks a further step in the Abbey's overseas expansion. Since 1987 it has moved into Spain, Italy, Gibraltar and the Channel Islands.

Lep acquires West German distribution group for £9m

By John Thornhill

LEP GROUP, the broadly-based services company, is expanding its European transport network through the acquisition of a West German distribution company for DM25m (£9m) cash.

It is buying the Wohlfarth Group which operates from 33 locations including Wuppertal, Hannover, Mannheim, Dortmund and Cologne.

The company runs over 1,000 vehicles and employs 1,500 people. It also runs railhead facilities in Frankfurt, Cologne, Barcelona, Milan and Paris. Wohlfarth mainly distributes engineering products and white goods and has big contracts with Volkswagen-Audi and Mercedes-Benz.

In 1988, Wohlfarth made after-tax profits of DM5.5m on turnover of DM264m. At the end of 1989, net assets were DM13.8m.

Mr Paul Wohlfarth, who founded the company 45 years ago, will stay on and help manage the group's integration into the Lep network. Lep already owns Lassen Transport, a Hamburg-based freight forwarding company which employs 1,100 people at 26 locations.

Lep has also recently expanded in Belgium and the Netherlands.

Westport rises to £1.24m

WESTPORT GROUP, the USM-quoted marketing services concern known until January as Stanco Exhibition Group, lifted pre-tax profits from £908,000 to £1.24m in the six months to October 31.

Turnover was up at £8.12m (£7m), though earnings slid from 1.16p to 0.87p, affected by August's acquisition for £16.2m of Carlton Fox and Carlton Studios from Carlton Communications.

Mr John Friswell, chairman, said that the Carlton purchase had not only greatly increased the size of the group and its operational capabilities, but also enabled it to fulfil strategic development plans through diversification.

The company now comprises three divisions: exhibitions, photographic and pre-press; and retail services.

Samuel Heath

Samuel Heath, engaged in the manufacture and marketing of hardware and giftware, lifted pre-tax profits from £255,000 to £327,000 in the six months to September 30.

Turnover for the period was up from £3.28m to £3.43m with exports leading the way – ahead £183,000 to £709,000.

Manders Frame at last settled into its new surroundings and returned to normal profitability.

Earnings per 10p share rose from 5.5p to 7p after tax of £114,000 (£89,000); the interim dividend is increased from 1p to 1.5p.

Associated British Consultants turns in £1.13m at halfway

IN ITS first set of results since coming to the main market last March, Associated British Consultants reported interim profits of £1.13m.

The group – the parent company of Kenchington Little, the building and civil engineering consultancy – achieved the outcome for the half year to end-October on turnover of £6.09m.

Mr Malcolm Tappin, chairman, said "Whilst it is unlikely that the group's expansion at the exceptional rate of the last two years is sustainable, we are confident of our ability to achieve continuing good growth."

Order books are currently higher than at any point in the last year, but the group warned that the last few months had seen a softening in some areas of the construction industry.

After tax of £421,000, earnings per share were 9.5p and there is a 2.2p interim.

St Andrew Trust

On December 31 1989, St Andrew Trust, an investment trust which specialises in smaller companies both in the UK and overseas, had a net asset value of 272.6p, after deducting prior charges at par, against 213.8p a year earlier. The equivalent figures at market value were 273.4p (214.7p).

Revenue after tax in 1989 increased from £1.86m to £2.4m, with gross franked revenue up at £2.41m (£1.9m).

Earnings were 6.92p (5.32p) per share and a proposed final dividend of 4.09p makes a total of 6.25p (5.05p) for the year.

Index tracking fund success lifts L&G pensions premiums

By Eric Short, Pensions Correspondent

THE SUCCESS of its pensions index-tracking fund, which attracted £515m, enabled Legal & General Group, one of Britain's major life, pensions and financial services companies, to report a near two thirds rise, from £1bn to £1.6bn, in new worldwide life and pensions premiums last year.

As a result, the amount of money invested in the group's managed and segregated pension funds jumped from £187.9m to £790.6m – the major growth sector for L&G last year in terms of money invested.

Otherwise, new worldwide annual premiums rose 17 per cent from £274.4m to £320.9m but single premiums, including unit trust sales, remained static at £543.8m (£542.6m).

In the UK the pattern of new business was affected by two major cross-currents, the boom in personal pension sales being offset by a decline in mortgage-related products in the wake of the dull housing market.

New annual premiums for individual pensions rose by nearly one-quarter from £69.8m to £86.8m, while single premiums jumped from £75.9m to £261.6m, of which £110m was in respect of rebates from the Department of Social Security.

Some 150,000 employees took out personal pensions with L&G to contract-out out of the State Earnings-Related Pension Scheme.

New annual premiums on mortgage-related life products dropped nearly 10 per cent from £98m to £89.1m. Life bond sales in the UK fell from £58.9m to £32.8m and unit trust sales declined from £32.2m to £20.3m.

London and Manchester annual premiums up 18%

LONDON AND MANCHESTER Group, a medium-size life assurance and financial services group, last year bucked the industry trend by announcing a 50 per cent rise in premiums on its mortgage-related life business to £13.5m – an increase that helped the group show an 18 per cent advance in new annual premiums from £37m to £43.7m writes Eric Short.

The group's own mortgage business for the year showed a 30 per cent drop in residential advances from £224m to £157m, although advances in the second half of the year were £95m, against £62m in the first half. And mortgage-related life business from this source fell correspondingly.

But this was more than offset by the mortgage-related business brought in by the group's expanding tied agency force. This numbers 572 appointed representatives, including only one small building society, and is still growing.

Mortgage-related business from its 99-branch estate agency operation was minimal in 1989.

The other major boost to the group's annual premium increase came from the pensions sector, with personal pension sales rising from £6.3m to £7.5m.

Industrial branch business held up well, with annualised premiums advancing 8 per cent from £6m to £6.5m.

The buoyant personal pensions market was the main factor behind the group's 76 per cent rise in single premium business last year from £44m to £77.6m.

Lloyds Abbey Life bucks mortgage trend

PENSION SALES dominated the new business figures of Lloyds Abbey Life, where new regular premium annualised business showed a 15 per cent increase to £171.7m and single premiums rose 43 per cent to £491.7m, writes Eric Short.

Abbey Life Assurance Company, one of the two main life companies in the overall group, saw regular premiums rise only marginally from £48.7m to £49.8m, while single premiums climbed from £33.9m to £151.5m.

This boost came mainly through sales of the new style personal pensions.

On its life business, Abbey Life saw a 22 per cent rise in its mortgage related business from £19.2m to £23.5m – a move against the general falling trend.

But its other regular premium life business saw a 4 per cent fall from £28.9m to £27.8m, despite a 50 per cent rise in sales of its innovative critical illness contract Living Assurance.

Life bond sales were down some 17 per cent from £44.3m to £36.6m.

This was offset by unit trust sales rising by a third from £32.5m to £43.3m.

Black Horse Financial Services, the other arm of the group, saw its annual premium pension sales jump from £5.6m to £14.3m and single premiums move up from £1.3m to £14.8m.

In contrast to Abbey Life, mortgage related business at Black Horse followed the industry trend, showing a decline by one fifth from £23.1m to £18.8m.

Sales of life bonds rose 29 per cent from £121m to £155.7m.

External unit trust sales dropped by 16 per cent from £89.7m to £75.6m.

Overseas, sales of the overall group saw regular premiums in West Germany double from £9.9m to £20m.

In Ireland, regular premiums rose by over 50 per cent from £5.3m to £8.3m and single premiums by 24 per cent from £9.8m to £12.2m.

Group Development raises net asset value

Group Development Capital Trust had a net asset value of 43.9p per share at September 30 1989, against 35.5p a year earlier.

After tax of £21,258 (£110,981), net revenue for the year fell from £216,346 to £69,253 for earnings of 0.29p (0.91p). A single final dividend of 0.2p (0.7p) is recommended.

A fault on the line of BT's international strategy

Buying control of Mitel was a costly mistake. Hugo Dixon and Bernard Simon explain

IN 1985, when British Telecom decided to take a majority interest in Mitel, the Canadian manufacturer of computerised switchboards, it justified its move as part of a strategy to become a leading player in the global information industry.

The idea then – held not only by top BT management but also by members of the Conservative government – was that BT, following its privatisation in 1984, would act as a flagship for the UK information technology industry overseas.

The rationale for buying 51 per cent of Mitel for C$322m was buttressed by the widespread belief that telecommunications and computer technologies were converging. In this process, BT claimed that computerised switchboards or private branch exchanges (PBXs) would become the key pieces of office automation equipment through which all sorts of data and telephone traffic would be channelled.

BT's decision, announced yesterday, to put the Mitel stake up for sale is an admission that most of this original strategy was faulty.

It has also been expensive. In the years since BT took its stake, Mitel has lost C$240m. And on the basis of Mitel's share price yesterday, BT's investment is worth only C$109m – barely a third of the original cost.

"We have never had expertise in manufacturing," BT says now. It also admits that the convergence of telecommunications and computer technologies has not happened in the simple way that it originally expected.

Others have been similarly wrong-footed. IBM, for example, bought Rolm, a rival US PBX manufacturer, in the hope of combining PBXs and computers, only to sell it last year to Siemens of West Germany.

BT's retreat from manufacturing, though, does not imply the abandonment of its international ambitions.

Its current strategy is to build itself into the leading provider of telecommunications services worldwide. Over the past year, this has involved paying $1.5bn to acquire a 20 per cent stake in McCaw, a loss-making US mobile communications operator, and paying $355m for Tymnet, a US data communications business.

Mitel's strength is in small PBXs with fewer than 100 lines. Measured by lines, it claims a 9 to 10 per cent share of the US PBX market, a share of more than 25 per cent in the UK, and some 30 per cent in Canada. Its move into larger switches has been costly and only partly successful, and explains many of the problems that have bedevilled the company since the early 1980s.

At the same time, the PBX market as a whole has stagnated and a wave of mergers in the industry has meant Mitel is now facing tough competition from much larger rivals. "We are the wrong partner now," says BT. "Mitel on its own is just too small to survive."

Mitel was formed in 1971 by two colourful businessmen, Dr Michael Cowpland and Mr Terry Matthews, who chose the name as an acronym of Mike and Terry Limited. Respected initially for their entrepreneurial flair, Mr Matthews and Mr Cowpland started running into difficulties in the early 1980s as Mitel progressed from being a Canadian manufacturer with a limited product range to a substantial multinational operation.

In particular, the launch of its large SX-2000 digital voice and data system was plagued by delays and cost overruns. Mitel slipped into the red in 1984 and, with the exception of only a few quarters, has consistently lost money since then.

Net income in the three months to September 29 1989 was a paltry C$200,000, with sales 4 per cent below the same period a year earlier. The company blamed the feeble pound as well as faltering demand for its older analogue products.

One of Mitel's biggest weaknesses has been its inability to set up a stable and reliable distribution system. Mr Francis McInerney, an analyst with Northern Business Information in New York, says that, in this respect, the company "still has the same fundamental problems it had when it was sold to BT".

A deal to buy a distribution arm of RCA from General Electric fell though in 1988. Mr John Jarvis, Mitel's president, says that "extra distribution and new markets" are among the priorities in selecting a partner. Connections to the public switching market will also be important.

The prospect of Mitel being sold to another foreign company is likely to unleash a political controversy in Canada. The government in Ottawa is anxious to promote Canada's presence in the high-technology sector and has come under strong criticism for approving recent foreign takeovers.

Late last year the government allowed a takeover of the country's leading pharmaceutical company by the French group Institut Merieux. However this was only after obtaining assurances of substantial benefits that would accrue to Canada in terms of research and development spending and local share ownership.

It will almost certainly insist on similar commitments from Mitel's next controlling shareholder.

Tony Andrews

Roger Fletcher: most of earnings to be generated outside the UK within a few years.

Menvier-Swain looks to Europe after 50% rise

By Andrew Hill

MENVIER-SWAIN Group, Britain's largest manufacturer of emergency lighting, pushed profits up by 50 per cent to £2.43m before tax in the six months to October 31, against £1.62m in the equivalent period.

The USM company expanded into the French emergency lighting market last summer through the FFr100m purchase of Luminox. In a normal full-year, Menvier said yesterday, about a third of turnover and profits would come from overseas.

Turnover rose from £11.7m to £16.9m. Emergency lighting and fire alarm sales in the UK accounted for 56 per cent of group turnover, and European sales for 26 per cent.

Other electrical and mechanical products contributed 18 per cent, against 23 per cent in 1988-89, helping to push up overall margins.

Mr Roger Fletcher, managing director, said the group hoped to generate most of its earnings outside the UK within a few years: "As our dependence on the domestic market decreases with European acquisitions we are beginning to insulate ourselves against the effect of any downturn."

He said construction of new commercial and industrial buildings in the UK – which accounts for about half Menvier's lighting and fire alarm business – might slacken in the second half, but demand would be replaced by the sale of products to the refurbishment market.

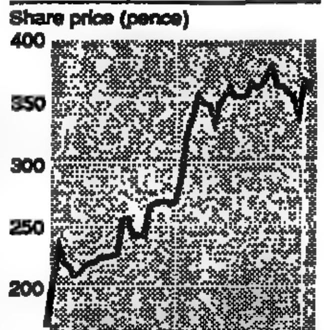
"One of the reasons why we feel the replacement market is going to grow is that legislation is now more rigidly enforced," said Mr Chris Swain, a director, adding that with the harmonisation of EC legislation after 1992, countries such as Spain, Portugal and Greece would also have to fall in line with stricter safety standards.

Interest charges increased in the first half to £158,000 (£67,000). Menvier said gearing had risen to 60 per cent at the time of the Luminox acquisition last July, but was on target to reduce that to about 40 per cent by the end of the financial year.

Earnings per share increased to 12.4p (9.5p) and an interim dividend of 2.1p (1.6p) is declared. Menvier's shares rose 8p to 368p.

Menvier-Swain

Share price (pence)



Disposals help lift Baldwin to £2.5m

By David Owen

TIMELY PROPERTY disposals have helped to propel Baldwin, the leisure and printing group, to a 51 per cent advance in pre-tax profits for the year to October 31.

The company's property unit contributed two thirds of the year-on-year profit increment and the bulk of increased turnover. Leisure interests – which include Keycamp Holidays, a self-drive camping holiday operator, and Starvillas, a provider of villa holidays in Europe and the US – also performed soundly, with profits from the division rising by close to 30 per cent.

In all, pre-tax profits improved to £2.49m (£1.65m) on turnover ahead 35 per cent to £34.8m (£25.8m). Earnings per share rose to 10.5p (8.6p), and a proposed final dividend of 1.4p makes a total for the year of 2.55p (2.15p).

The figures mask a 23 per cent decline in the profitability of the group's printing activities, which encompass Snows Business Forms, a printer of business forms and continuous stationery, and Newnorth Print, a general printer.

At Snows, growth in profits was constrained by higher staff costs. At Newnorth, performance was affected by problems linked to the introduction of new machinery. Management changes have been implemented in a bid to improve matters.

Baldwin has now disposed of most of the properties held by Oceangate, a property investment company acquired in November 1988. In April, it sold its building materials and concrete business to Evered for £2m.

The acquisition-minded group, which lifted net assets by fully 60 per cent to £14.96m in the latest fiscal year, said that it was currently involved in serious negotiations with a number of parties, including a restaurant chain.

It is still waiting to be informed in detail of the intentions of Mr Ong Beng Seng, whose Augsburg Investments recently bought a 17.3 per cent stake in Baldwin from Brent Walker, the leisure group.

Baldwin's management expects to meet Mr Ong in London to discuss possible joint investment prospects and whether or not the Singapore-based businessman desires a seat on the board.

"We believe that ... he will be supportive of our future development", said Mr David Landau, executive chairman.

The shares rose 5p to close at 120p.

Wiltshire Brewery heads for the USM

BY Philip Rawstorne

WILTSHIRE BREWERY Company, which was bought out of receivership five years ago, is coming to the Unlisted Securities Market next month.

The 130-year-old west country brewer, which last year made pre-tax profits of £134,000 on turnover of £747,000, now has a tenanted estate of 11 pubs within 40 miles of its base in Tisbury, Wiltshire.

Last month it agreed to buy another seven pubs in the area from Whitbread for £1.25m.

It has also established a satellite operation in the West Midlands, a small group of pubs around Ma Pardoe's brewery at Netherton, Dudley, in which County Inns has an interest.

Mr Graham Axford, Wiltshire's chairman and managing director of finance at James Capel, and Mr Jeff Scoble, an accountant and managing director, said yesterday that the company aimed to take advantage of opportunities to expand in the post-Monopolies and Mergers Commission shake-up of the industry.

The target was to raise capitalisation from around £5m after flotation to £40m through further acquisitions in the next two years, Mr Axford said.

Shares in the company would be doubled by a flotation issue of 3m. Directors would control about 18 per cent of the total.

Mr Axford was one of several investors who rescued the company from receivership in 1985. But the group ran into further problems in trying to service a managed estate of pubs around London. In 1987, the company made an operating loss of £854,000, and Mr Axford took over as chairman to implement a new strategy.

The workforce was reduced to its current level of 11, the London pubs were sold for £6.1m to Harmony Leisure, and the company paid off its bank borrowings and loan stock.

Operations have since been focused on the development of the Tisbury brewery's Stonehenge beer brands and on building a tenanted estate of pubs selected both for their trading potential and property valuation. The company is looking at opportunities such as off-licences, machine operations and allied areas.

The Stonehenge brand has been extended to include an alcoholic ginger beer, now being exported to France, and other niche products, such as mead, are to be introduced.

Balmoral to exploit Norfolk's disarray

By Andrew Hill

BALMORAL International, the private Edinburgh-based company attempting to take over management of Norfolk Capital Group, will today try to exploit a boardroom split at the hotel company.

Advisers to Lady Eileen Joseph, a non-executive director of Norfolk, have asked to meet Balmoral's advisers. They will try to persuade her to vote in favour of all their proposals to instal three executives on the Norfolk board, oust the group's managing director and manage the company on a five-year contract.

At next Monday's special shareholder meeting, Lady Joseph and Mr Tony Good, another non-executive, plan to vote only for the election of Mr Peter Tyrie, Balmoral's managing director, as a non-executive. However, both have said they believe Mr Peter Eyles, Norfolk's managing director, should step down in due course.

Norfolk yesterday repeated its claim that there was a fundamental conflict of interest between Balmoral's objectives and its own goals, which could jeopardise the quoted company's Stock Exchange listing. Balmoral this weekend claimed that Norfolk would retain its listing, and said yesterday that it had cleared that claim with the Stock Exchange, contrary to Norfolk's allegations.

Balmoral has said it would propose a share option scheme as an alternative to a performance-fee contract at a subsequent Norfolk annual meeting. But Norfolk, which also accused Balmoral of a "deliberate attempt to tarnish the company's reputation", warned shareholders yesterday that they would have no protection against Balmoral changing its mind once it had won management control.

BAT takeover hearings resume

By Nikki Tait

Hearings in front of the Illinois Insurance Department on the proposed takeover of BAT Industries, the UK tobacco-based conglomerate, by Sir James Goldsmith's Hoylake consortium, restarted yesterday morning.

Hoylake needs clearances from the insurance authorities in nine states before it can renew its offer for BAT, and Illinois is the first to start hearings on the matter.

The insurance authorities were due to complete the tail-end of Hoylake's examination before moving on to consider the suitability of Axa Midi Assurances, the French-based insurance company, to own Farmers Group, BAT's US insurance subsidiary.

Hoylake has lined up Axa as the potential purchaser of Farmers should it make a successful offer for BAT.

There were suggestions that Mr Claude Bébéar, Axa's chairman, might start giving evidence in the afternoon, before the Hoylake hearing was over.

Hearings have also been scheduled in Idaho, Oregon, and Washington, as well as in California. There have, however, been some suggestions that the other commissioners may be reluctant to rule until the key Californian decision is known. The Californian hearing is scheduled for mid-March, although Axa and Hoylake would like it brought forward.

Martin Currie to launch £20m trust

By Nikki Tait

MARTIN CURRIE, the Edinburgh-based investment house, is planning to launch a £20m-plus European investment trust next month.

The fund will have a broadly-based investment brief within the western European markets, and the emphasis will be on capital growth. However, managers suggest that the initial portfoliowill probably concentrate most heavily on West Germany, France, the Netherlands and Spain.

Somewhat unusually, Martin Currie is targeting the trust solely at private shareholders and very small institutions.

Although the launch will take the form of a public offering of shares, threequarters of the equity will be pre-placed with private clients of Allied Provincial Securities, the regional stockbroking chain. The general public will then be able to subscribe for the remaining 25 per cent of the shares. This slice of the equity will also be underwritten.

The precise size of the Martin Currie fund has not yet been fixed. However, the minimum sum to be raised will be £20m, via the issue of 20m shares at 100p each.

As in many recent launches, there will be "free" warrants attached to the ordinary shares; investors will get one warrant for every five shares allocated, and this will allow them to subscribe for a further share at 100p between 1991 and 1998.

The new trust also plans to set up a £5m multi-currency loan facility with Robert Fleming, allowing it to borrow up to £5m for periods of up to six months. This, it suggests, will allow the trust to gear up when conditions are appropriate.

The annual management fee will be 0.5 per cent.

DIVIDENDS ANNOUNCED

Assoc Brit C'sul ....int	2.2	-	-	-	-
Baldwin ....fin	1.4	-	1.15	2.55	2.15
GT Japan Inv Tst........int	0.4	-	0.25*	-	3.35†
Heath (Samuel) ....int	1.5	-	1	-	4.3
Menvier-Swain § ....int	2.1	Apr 9	1.6	-	5.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. #Third market. ‡Including 1.6p special.

CWG gets new chairman

By Andrew Bolger

MR IVOR GERSHFIELD has been appointed chairman of City & Westminster Group, the corporate finance house.

He joins his son, Aaron, who became chief executive in November after Mr Andrew Greystoke resigned as chairman and chief executive along with three other directors.

Mr Aaron Gershfield said his father had bought 1.4m shares in the company on January 11, in addition to the 29 per cent stake already controlled by Gershfield family trusts.

The shares, which were placed on the Unlisted Securities Market last August at 7p, yesterday closed at 1½p, down ¼p.

CWG, which gained the USM quotation by reversing into A&M, the theatrical prop hire and transport company, in July, made a pre-tax loss of £2.74m for the six months to end-September after a series of provisions and losses on investments in the corporate finance group UTC and Dominion International, the financial services and property company which was yesterday placed in administration.

Yorkshire banks on a higher price from auction

David Lascelles on NAB's purchase and how it might affect other deals in the sector

LAST WEEK'S sale of the Yorkshire Bank to National Australia Bank for close on £1bn set a new record for UK banking transactions.

But the deal is also being picked over for clues to what future bank sales might fetch, particularly if, as seems possible, there may be a shake-out in the high street banking and building society market.

There are two interesting aspects to the sale.

One is the price, and the other is the way it was obtained by the four clearing banks who owned it (NatWest, Barclays, Lloyds and the Royal Bank of Scotland).

By many of the traditional measures of bank value, Yorkshire went for a fancy price. NAB's offer is equivalent to three times Yorkshire's net asset value, which is reckoned to be a high multiple for a retail bank, albeit one with Yorkshire's particular attractions – high profitability, a clean balance sheet and plenty of scope for expansion.

The price/earnings ratio is less dramatic: it comes out at 13.5 times, which is actually slightly less than NAB paid for the Clydesdale and Northern banks which it bought from Midland Bank nearly three years ago.

However Yorkshire's shareholders insist that this was not how they settled on the sale price.

Instead, their advisers, County NatWest, NatWest's merchant banking arm, made projections, reaching out as far as 15 years, of the cash dividends that they could expect to receive from Yorkshire, and calculated the bank's value on that basis.

This did not involve widely varying best and worst cases because Yorkshire's dividend payment record has been remarkably consistent.

From the moment that Yorkshire was officially put on the block last October, it was made clear to potential bidders what sort of price they would be expected to pay. County was keen to weed out frivolous interest right from the start of the auction.

In the initial stage, 30 would-be buyers showed interest, including many foreign banks, and even non-banks. They received some documents and a video about Yorkshire Bank, and were grilled by County as to the seriousness of their interest. This quickly reduced the field to only 10 banks, still with a large foreign contingent representing most parts of the world.

These were then rigorously vetted by County, particularly as to their ability to pay. It was made clear that offers would have to be in cash, with completion on January 18. This further reduced the field to only four banks. These included NAB, Westpac, and Banque Nationale de Paris and Dresdner Bank

It was only at this stage that they were allowed to go up to Leeds to visit Yorkshire Bank, meet the management and comb through the books.

NAB were being advised by Lazards, which had helped it make the Midland acquisitions, and believed that Yorkshire was a prize worth going for because it would add a further valuable building block to NAB's growing presence.

Having nursed it through the two early stages, Lazards advised NAB to make an aggressive bid, which it did, largely because Mr Nobby Clark, the chief executive, had had his sights on buying Yorkshire for many years.

As it turned out, the winning price was probably even higher than Yorkshire's owners had expected. It is believed that the bidding price indicated by County was £850m-£950m, which suggests that any serious bidder would have had to offer more than £900m.

The result also bears out the owners' decision to mount an auction rather than float Yorkshire off on the stock market.

Banks, it seems, are best sold to other banks.

Sir Rupert Clarke (left), chairman of National Australia Bank, which has bought Yorkshire Bank, and Lord Alexander, chairman of NatWest, one of the four joint selling banks

Beckenham controls 88.5% of Bardsey

Beckenham Group, the holding and management company, revealed that in respect of the offer for Bardsey, ordinary offer acceptances and purchases have reached 88.5 per cent and warrant acceptances 80.1 per cent.

Take-up for the cash election represented 4.5 per cent.

The cash election has now closed but the offers, which are wholly unconditional, remain open until further notice.

TECHNOLOGY

An expensive bequest gains a commercial cutting edge

David Fishlock describes how NEI's long quest for a contract research formula paid off

After a 30-year search, Northern Engineering Industries, the sprawling engineering empire acquired by Rolls-Royce last year, believes it has hit upon a winning formula for making money out of an expensive research facility.

NEI's contract research company, Industrial Research and Development (IRD), has lately become one of its most profitable parts. These days, only 11 per cent of IRD's income comes from NEI companies, which have to a large extent made their own R&D arrangements.

IRD, divided between Newcastle and Gateshead, and employing about 520, is playing a pivotal role in forging technical bonds between NEI and Rolls-Royce, a group twice its size with an R&D budget of about £300m a year, compared with its own £30m. IRD already has a high reputation with Rolls-Royce, as a research contractor in such critical areas as turbine blades and submarine nuclear systems.

IRD began life in the late 1950s as the Parsons Nuclear Research Centre, planned by the late Sir Claud Gibb, Parsons' chairman. Gibb hired Harwell's chief metallurgist, Monty Finniston, as research director, but died before saying what he wanted from it.

Finniston began the quest to make the best use of the lavishly equipped laboratories, luring the brightest graduates. An early recruit was Robert Hawley, NEI's managing director, who recalls running a team of 17, seven of whom became professors.

Finniston focused the laboratories' attention on contract research, which involved both selling novel technology to industry and offering to solve its problems for a fee. For nearly three decades they survived, but failed to thrive, even when they served as a joint research centre for both Vickers and NEI.

The winning formula unfolded only in the late 1980s, when Paul Whitehouse, the new general manager, merged R&D with his nuclear surgery activities for refurbishing nuclear plant. He introduced a sharply commercial edge, though he admits he must still occasionally remind his researchers of the need to tackle real-world problems.

Hawley says he knew Whitehouse meant business when he used one of his nuclear repair techniques to trim away the ponderous stone portals around IRD's front entrance, modernising its appearance.

According to Whitehouse, the key to commercial success for an expensively equipped research centre is to see that it provides a commercial service and does R&D as a sideline. For instance, when dwindling demand for big optical telescopes forced the closure of the Grubb Parsons company, IRD took over its technology for vacuum-coating mirrors. Today it runs a specialist service providing novel coatings, including optical filters for military sensors.

What Whitehouse sees as the centre's biggest commercial challenge, however, is the research needed to extend the life of power stations. Private sector financial criteria have greatly heightened the attractions of this market in the UK.

His model is the contract for gradually replacing corroding standpipe liners in four advanced gas-cooled reactors during their regular shutdowns. The rig – paid for by the electricity industry – is a full-scale model of part of a reactor. His team uses it to perfect the complex transplant surgery to be performed deep inside the reactor, where the temperature (60 deg C) and radioactivity mean there should be as little individual exposure as possible.

The surgery involves moving more than 40,000 pieces of equipment rapidly in and out of the reactor. Even welding stubs must be accounted for, lest one should remain to jeopardise safety. A computer console designed by IRD keeps track of every person and item entering the reactor.

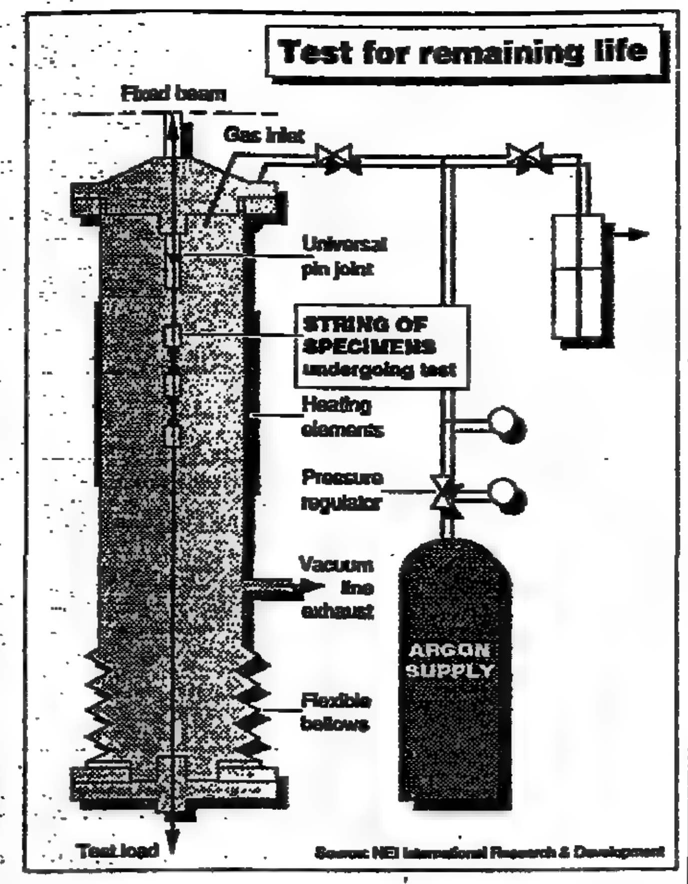
Whitehouse estimates that about 80 per cent of IRD's resources were tapped to set up this operation. He has high expectations of similar operations to extend the life of fossil-fuel stations, starting with IRD's skills in assessing the remaining life of a piece of equipment (see diagram).

It has developed a method of snipping small specimens of metal from the more highly stressed parts, such as boilers and blades. From these segments, miniature pins 18 mm long and 3 mm in diameter are machined. From the behaviour of the pins at high temperature in a test cell, IRD scientists can estimate how long it will be before the rotor ruptures or the compressor cracks.

Although NEI is trading as a Rolls-Royce company, a considerable degree of autonomy remains because of the separate markets served by the two groups. However, the opportunities for pooling technical activities are being explored.

At NEI, Anthony Chitty, director of corporate engineering, is responsible for technical collaboration. "My role is a non-executive one of drawing together long-term R&D and supporting new ventures," he says. He is working with Stewart Miller, Rolls-Royce's director of engineering, to harmonise what they call "common technologies" (see below).

Both NEI and Rolls-Royce are founder members of the Centre for the Exploitation of Science and Technology (Cest), set up in 1988. NEI was deeply involved in Cest's first big study, of Britain's failure to exploit adhesives as a manufacturing technology. Chitty has become chairman of Cest's new Centre for Adhesives Technology, in Cambridge, and is also planning an adhesives R&D centre for NEI.



Source: NEI International Research & Development

Long-term search for common ground

"WE'VE BEEN amazed by the amount Rolls-Royce spends on combustion R&D," says Peter Hufton, R&D manager of NEI-International Combustion in Derby.

The research facilities include what he believes to be the biggest combustion rig in the world, 88 MW when fired with oil. It has been used to help develop low-Nox combustion for power stations.

Stewart Miller, Rolls-Royce's director of engineering, says the company has been increasing its combustion research in readiness for the likely imposition of more stringent controls on aero-engine emissions, by the EC for example.

Miller sees this as an important example of common technology between the newly merged concerns. The fundamental understanding of combustion processes and ways of measuring what is happening can be shared.

Four months ago Miller and Tony Chitty, of NEI, began a survey of technical activities with the aim of identifying areas of common technology "even in the vastly different scales of our combustion chambers." Other examples emerged, including turbine blade design, computational fluid dynamics (the computer design of fluid-flow systems) and materials technology.

NEI-Parsons, for example, had been thinking of using titanium for the last and largest row of blades in a steam turbine. "It asked for and got our materials technology," says Miller.

The initial survey whetted appetites in both camps for a more positive plan for pooling resources. The focus is on long-range research, which Rolls-Royce reckons accounts for about £10m of its £300m R&D budget.

Proportionally, Rolls-Royce does more long-range research than NEI, says Miller. One reason is that its product range is so much simpler, mostly variants of the gas turbine, an engine that does not even feature in NEI's portfolio. "We know that if we keep forging ahead on blade optimisation or heat transfer, it will apply to a wide range of our products."

A question of market needs

BELGIAN manufacturers focus too little on what products they make and too much on the process by which they are made, according to a recent survey, writes David Buchan.

The report, from the PA Consulting Group, criticises the country's leading industrial companies for not gearing their technology programmes sufficiently to market needs.

The survey of the views of 55 chief executives showed that a third believed the main aim of introducing new technology was to improve manufacturing processes. Only two said product development was their priority.

The report attributed this marked difference from other northern European countries to complacency, and to the fact that many of Belgium's largest manufacturers are subsidiaries of foreign parents which conduct their product research elsewhere.

PA executives said Belgian companies tended to be dominated by engineers, rather than market specialists and salesmen, and urged them to shake off their complacency and to spend more on developing products with high added-value.

Novel game of sardines

A VARIATION on the old party game of cramming as many people as possible into a Mini, like sardines in a tin, could be the feat of getting as many executive saloon cars as possible on to a transporter.

Toleman, of Surrey, claims to hold the record with 12 vehicles the size of a Ford Granada. The company was able to squeeze so many cars on to the 18-metre transporter without exceeding the 32.5-tonne weight limit by using light alloys and high tensile steel for the frame.

It has also developed a novel way of getting the cars on and off the transporter. Each is driven on to its own platform, fixed in place and then raised into its higgledy-piggledy position. The driver raises or lowers the decks using computer-controlled hydraulics.

New slots for the credit card

MACHINES for reading credit cards are spreading from shop counters into a multitude of equipment – from parking meters to automatic hotel check-in facilities.

● After an overseas holiday this spring, travellers arriving back at Gatwick airport's south terminal may be pleased to know that they can pay for parking by credit card as well as cash, using the autopay machines.

The system, developed by Elsydel, of Paris, will be the first in Britain.

To use the machine, the driver first inserts the magnetised car park ticket and then his or her credit card.

● A Development from Yaletronics, of Charlotte, North Carolina, which speeds up checking-in for hotel customers, is being introduced in both the US and Europe.

To use the system, the customer inserts a credit card into the machine, which reads the name of the client and then prints out a slip detailing name, room number, tariff and so on.

The system can also print out a card key, incorporating either a magnetic stripe or a series of punched holes, which can be "read" by the lock on the room door.

In the pilot system installed in a US hotel, the customer can also pay automatically by inserting the credit card into the same machine on departure.

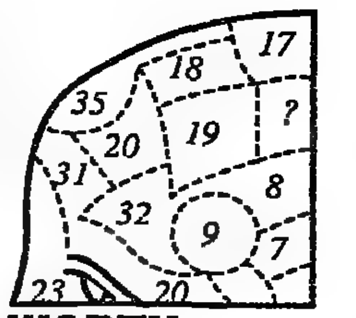
A cheaper feed for PCs

A LOW-COST solution to help people feed documents into their PCs or word processors, without having to re-key the information, has been developed in Japan for sale in the US.

The Toshiba Corporation's optical character recognition system can handle English text, pictures or diagrams. The machine recognises 60 characters a second, so an A4-sized letter could be fed into the computer in 30 seconds.

At the heart of the Express-Reader is a scanner and a plug-in printed circuit board for IBM-compatible PCs, which costs $3,000 (£1,800). The board incorporates the latest Risc (reduced instruction set computing) microprocessor and a specially devised signal compression technique.

As the document is fed into the desk-top unit – similar to a small photocopier – the system analyses the layout of the page and then separates characters from illustrations. The elements are then converted into the code – such as ASCII – needed to represent the document on the screen. Each word is then checked against the in-built dictionary.



WORTH WATCHING

Edited by Della Bradshaw

Great sum of work on one disk

THE enormous capacity of compact disks has been demonstrated by Nimbus Records with their latest computer CD-Rom, which contains the entire UK GCSE mathematics curriculum on a single shiny disk.

It takes 233 floppy disks to carry the same amount of information, according to Nimbus.

The disk, of use to both teenagers swatting at home or teachers in the classroom, contains more than 150 hours of maths learning and 685 work sheets, which can be printed out. The CD-Rom was developed with Format PC, the educational software specialists.

CONTACTS: PA: Belgium, 2 640 4580. Toleman: UK, 0277 226060. Yaletronics: US, 704 283 2101; UK, 0902 366911. Elsydel: France, 1 42 26 82 57; UK, 0272 277 641. Toshiba: Japan, 03 457 2104. Nimbus: UK, 0600 890682.

COMMODITIES AND AGRICULTURE

Giant Saudi oil find reported

By Steven Butler

SAUDI ARABIA may have discovered a huge oilfield containing at least 30bn barrels of light, low sulphur crude oil, according to the Middle East Economic Survey, the Cyprus-based weekly.

Saudi oil officials are said to believe that after a three-well drilling programme about 80 miles to the southwest of Riyadh, they may have found a new giant field which could be easily hooked into Saudi Arabia's existing export infrastructure.

Mr Hisham Nazer, the Saudi Oil Minister, hinted at the possibility of a huge discovery in November on the basis of wells drilled at Al-Hawtah and at Dilam. A third well was reported successful earlier this month at al-Ragheeb, and has raised expectations that the three wells are part of a single giant field.

The field, if proven at this sort of size, would add more than 10 per cent to Saudi Arabia's existing reserves. Its importance, however, lies in the nature of the crude oil. Most of Saudi Arabia's proven reserves are of heavier, high sulphur crudes which are less valuable on the world market.

Light, low sulphur crudes, such as those from Texas, the North Sea, or Nigeria are in limited supply but are much in demand because they yield more valuable light products, such as petrol, and because sulphur has become more of an environmental worry.

Lead/zinc statistics put Canadian decline in focus

By Kenneth Gooding, Mining Correspondent

A SHARP fall in lead and zinc production in Canada, the leading producer, caused by the closure of the huge Pine Point mine, is brought into focus by the latest statistics from the International Lead and Zinc Study Group.

Mine production of lead in Canada last year fell by 25.6 per cent to 273,000 tonnes. Mine production of zinc in that country dropped by 11 per cent to 1.2m tonnes.

Canada's output of the metals will drop again this year because Cominco recently announced it is to shut permanently the Sullivan mine in British Columbia, which in 1988 produced 92,000 tonnes of zinc in concentrate and 90,000 tonnes of lead.

Mining ended at Pine Point in June 1987, since when stockpiled ore has been drawn down. Cominco, the owner, is to bring on stream shortly the Red Dog lead-zinc mine in Alaska, which will be the world's largest base metals mine when in full production and will more than offset the shortfall from Pine Point. But Red Dog's output will count as US production.

On a wider front, the Study Group says lead metal consumption increased for the seventh successive year to a new record in 1989, by 1.2 per cent to 4.406m tonnes. However, consumption of zinc metal slipped back by 1,000 tonnes from the record set in 1988 to 5.257m tonnes, according to the study group.

Driven by demand from the battery industry which accounts for more than 60 per cent of demand, annual consumption of lead in the western world has risen from the low point of 3.78m tonnes in 1982 by over 600,000 tonnes and it is 220,000 tonnes above the former peak in 1979.

Lead metal production was down by 0.3 per cent at 4.386m tonnes while zinc metal production was fell 0.6 per cent to 5.205m tonnes.

Lead production included 2.15m tonnes from recycled or secondary production which accounted for 49 per cent of lead supplies compared with 48 per cent in 1988.

Bright outlook for Indonesian gold mine

By Chris Sherwell in Sydney

CRA, THE Australian resources group, expects to produce about 264,000 ounces of gold a year from a US$185m project which will be the largest gold mine in Indonesia, the company revealed yesterday.

The figures for the Kelian gold project on the island of Kalimantan are contained in a final feasibility study by its three joint venture partners, who are now seeking a go-ahead from the Indonesian Government.

The three partners in the project – CRA (67.95 per cent), Kalimantan Gold (22.05 per cent) and PT Buana Jaya Raya Jakarta Mining Company (10 per cent) – are grouped as PT Kelian Equatorial Mining.

For CRA the project is one of two major investments currently being undertaken in Indonesia. The other is PT Kaltim Prime Coal, jointly owned and managed with BP Coal, which is developing a 7m tonnes-a-year export thermal coal mine.

Details of the Indonesian gold project follow the recent costly shutdown of CRA's 53.6 per cent copper and gold operation on Bougainville island in neighbouring Papua New Guinea.

In a statement yesterday, CRA said the final feasibility study on Kelian had shown mineable ore reserves of 53.3m tonnes averaging 1.97 grams of gold a tonne, based on a cut-off grade of 0.5 grams a tonne.

It added that the mine, scheduled to commence commercial production in July 1991, would produce on average 264,000 ounces of gold per year over its mine life through to the year 2000.

The ore would be mined by open cut methods, and the gold extracted by a conventional treatment plant processing 6m tonnes a year. Total capital costs (excluding financing charges) were put at US$185m.

Brazilian mine road closure overruled

A BRASILIA appeal court has overruled an order closing the road to one of world's key tin mines, writes John Barham in Sao Paulo.

The closure of the access road to the Pitinga mine, owned by Paranapanema, Brazil's leading tin producer, had been ordered because it crossed an indian reserve in the Amazon region, north of Manaus.

The public prosecutor who brought the case on behalf of the Waimiri-Atroari indians says he will lodge an appeal against the decision to reopen the road.

Last year, Pitinga produced 31 per cent of Brazil's tin output of 50,161 tonnes, according to a preliminary estimate by the Government's National Mineral Production Department.

● Ok Tedi Mining's copper and gold mine in western Papua New Guinea has reopened and was in full production after a blockade of the mine's access road was lifted, said Mr Richard Carter the company's managing director, reports Reuter from Melbourne. Landowners set up the blockade on Thursday after a dispute with the PNG government over compensation.

LME WAREHOUSE STOCKS
(Change during week ended last Friday) tonnes

Aluminium	+8,350	to 76,075
Copper	−1,825	to 104,375
Lead	+475	to 23,000
Nickel	+654	to 7,356
Zinc	−2,050	to 85,150
Tin	+525	to 10,045

O'Kennedy aims to hold the line on farm output

Tim Dickson reports on the first briefing by the new EC Agriculture Council president

MR MICHAEL O'Kennedy, President of the European Community's Agriculture Council for the first six months of this year, says he will "understand" if some member states want to loosen the EC's restrictive market policy as a means of stepping up food supplies to Eastern Europe.

"I am sure this argument will be used," the Irish Agriculture Minister said during a briefing with journalists on the eve of his first meeting in the Presidency "chair."

"It is part of the reality of the moment – these countries with their tremendous short term needs and we in the Community with our capacity to produce much more."

Mr O'Kennedy, however, was careful not to raise expectations that current limits on production, like milk quotas and the cereals "stabiliser," could be eased during the course of this year's farm price negotiations, even though he said he sympathised with producers who argue "for the lid to be lifted."

"The Commission is bound to observe the commitments which were made at the time of the February 1988 summit," he emphasised. "They (Commission officials) will be quite right in saying that the agreement on stabilisers was one entered into by the member states themselves."

Mr O'Kennedy said he was determined that a prices package should be concluded before the start of the marketing year on April 1, and that was why, notwithstanding the lack of preparation by national civil servants, he had called for a first discussion of the Commission's proposals at yesterday's meeting.

He said that February's Council session would be taken up exclusively with a "close product by product" examination with the real "nose to nose" negotiations left until the March meeting.

Problems, he acknowledged, would include "green" money changes for West Germany – "though things have been made easier for Bonn by virtue of the fact that the Commission hasn't included an overall review of the agri-monetary system" – and the price cuts intended for certain Mediterranean products.

"Some Northern states," Mr O'Kennedy warned, "would point out that these regimes are not under the same control as say the beef and dairy sectors."

The Irish Agriculture Minister – a one time Brussels Commissioner – said that "continuity" would be the watchword of the Irish Presidency on the farm policy front. A major priority will be pursuing the internal market in the hitherto sensitive areas of plant and animal health, to which end around 60 proposals will be discussed in the Council over the next six months. "We would like to be judged by that timetable," Mr O'Kennedy said bravely.

While insisting that farming "will remain the core" he said that the EC must continue "to look at new ways of sustaining rural communities outside agriculture."

Mr O'Kennedy promised that Ireland would give a particular push to integrating the EC's rural development programmes. He also indicated his support for special concessions towards small producers, such as those already proposed for cotton and cereals.

The two main external issues concerning the ministers will be the current negotiations in the General Agreement on Tariffs and Trade, known as the Uruguay Round, and Eastern Europe.

Mr O'Kennedy said that the Farm Council "should have a special input into the Gatt." As for Eastern Europe, he suggested that the Council would have to reflect "the short term needs, the medium term opportunities for them and for us (exchanges, mutual co-operation, technology transfer) and the longer term implications."

On the last point he acknowledged that the Community could one day face the delicate problem of how to deal with large Eastern European food exports to the EC.

Paying the bill for research that has run to seed

Breeders are seeking extended royalty rights to recover development costs

FARMER'S VIEWPOINT

By David Richardson

THERE IS a campaign at present to make me and about 22 per cent of other UK arable farmers feel guilty. It is being run by seed breeders and its intention is to outlaw the practice of saving home grown cereal seed for planting on the farm the following year without paying royalties to plant breeders.

The plant breeders allege that those farmers, myself included, who process our own seed either through the farm's own plant or by employing a visiting contractor are cheating them out of their intellectual property. And it appears that they may be winning the argument, if leaks of recent negotiations between their representatives and the National Farmers' Union are to be believed.

The seed trade used to earn all its income from selling new varieties. Then in 1964 a system of Plant Breeders Rights was introduced whereby royalties were payable by the merchanting trade to the original breeder of all seed sold to farmers. Needless to say the cost of this was passed on to farmers. Farm-saved seed, however, was specifically excluded from that regulation on the grounds that it would be impossible to police and expensive to collect. That I suggest is still the situation today.

Royalty charges, which are set by seed breeders, currently vary from about £15 a tonne of cereal seed for old established varieties to more than £30 a for those which are newer and higher yielding. A tonne of seed will under normal circumstances be sufficient to plant 16 to 20 acres of land so the cost per acre is not a major item.

My main reason for using home grown seed therefore is not to save the royalty but because I see little point in growing quality seed, selling it for a modest premium to a merchant who simply adds a dressing to protect it against wireworm and the like and puts it into paper bags and then buying it back at a much higher price.

Part of that price is justified of course by transport and packaging costs which the merchant incurs. Most of the rest is his profit and as margins for cereal growing decline I need to cut costs wherever possible.

So on our farm we willingly pay high prices for limited amounts of certified seed of a few new varieties each year. We plant the seed on fields free of wild oats and any other off-types which would spoil the quality of the resulting sample. Come harvest we decide, on the basis of performance, which if any of those new varieties we wish to grow the following year.

Sufficient quantities of the chosen varieties are carefully stored and samples sent for germination tests to the National Institute of Agricultural Botany's Laboratory in Cambridge. If the seed passes its test a contractor with a special machine mounted on a lorry calls to process the seed. This involves selecting only the best and most vigorous seeds for planting by passing it through a sophisticated gravity separator and allowing the rejected lighter grains to go back into the barn for pigfeed. The machine also applies a chemical dressing to the seed to protect it against soil-borne predators.

In other words the quality of the seed which goes through such machines is arguably at least as high as that supplied by the merchant. By avoiding unnecessary transport costs it is significantly cheaper.

Merchants do not like to lose trade of course and take every opportunity to suggest that home-saved seed may not germinate as well as the certified product supplied by them. And now seed breeders want a royalty on all seed – including that which is farm saved – because their present income they say is insufficient to sustain the long-term research required to produce improved varieties.

Only a few years ago however seed breeding companies were all the rage. Everybody who was anybody in the agricultural supply trade seemed to be bidding to take them over. Shell, ICI, Unilever, Booker, all followed the fashion and invested in what they presumably saw as a potentially profitable sector serving farmers.

Today the mood has changed. Shell is inviting bids for its seed company, the Nickerson Group, on the grounds that it no longer fits into an oil-based portfolio. Booker is pulling out of farm crops to concentrate entirely on horticultural and flower seeds at its Danish subsidiary Daehnfeldt.

The other big names in the business say they are in it for the long term but they do predict a rationalisation of seed breeding. They expect the companies that survive to be world players, not just national producers, and that work on developing new cereals will stagnate compared with that on other crops if it does not become more profitable.

The fact is that the big boys got it wrong when they were bidding against one another just a few years ago. They failed to predict the depth of the depression which has hit cereal growing following the recent introduction of "budget-stabilising" price cuts across the EC. And they have been severely disappointed at the failure so far of hybrid varieties of wheat.

These had been promoted as potentially the great hope of the seed trade within a few years as well as the bringers of bigger and better crops. For to produce hybrid seed it is necessary to breed from parent plant stock each year, which would give total control of seed sales and prices to the specialist breeders and enable them to raise prices and profits to new levels.

But the technology ran into problems. Chemicals developed to produce male sterility in seed-producing crops and in turn allow those crops to be fertilised by other selected varieties proved to be toxic to mammals and therefore unacceptable. Other previously promising techniques also failed and a viable hybrid wheat is now probably 15 to 20 years away.

Meanwhile the research goes on. Tissue culture, DNA fingerprinting and biotechnology are all used in seed breeding these days. It is an expensive business and it still takes up to ten years to develop a new variety.

Seed companies claim that they are spending twice as much annually on breeding cereals for the future as they receive in royalties on varieties they have bred in the past.

They also look longingly at the enhanced profits from crops like maize, oilseed rape and a whole range of vegetables which have been hybridised and wish the same for cereals. Hence the campaign to change the law on royalties and force me and people like me to help make up the deficit until cereal hybridisation happens.

Last week the campaign reached the NFU and I understand that provisional agreement was reached between farm union representatives and seed breeders, with the Ministry of Agriculture in attendance, to introduce royalty charges in four annual stages up to 75 per cent of the trade rate for seed processed through mobile machines. Farmers with their own seed processing plants would still be exempt.

It will be an unpopular move and I for one am not thrilled at the prospect. Arable farming, as the big companies which now dominate the seed business know only too well, is under considerable pressure at present and cannot tolerate cost increases, however, small. Indeed, instead of demanding more cash to support an ever more expensive programme of research perhaps seed breeders should have done the same as farmers have been forced to do and cut their activities to fit the cash available.

After all, according to government and EC pronouncements, there is no need for increasing yields of cereals. We have too much already – or so they say.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL'S bear trend continued on the LME yesterday as stocks in LME warehouses rose by 654 tonnes to 7,356 tonnes, the highest for 2½ years. The market is not expected to find worthwhile support until three-month metal – a two-year low of $6,112.50 a tonne at the close yesterday – falls to $6,000 a tonne. Copper reached a fresh 16-month low as it retreated with Comex. Analysts said the conclusive breach of the recent long-standing chart support level around $2,330 a tonne indicated a likely fall to $2,160 a tonne unless fresh bullish factors emerged. In the morning only brief support developed after a stocks decline of 1,825 tonnes as total warehouse holdings remain relatively high and further substantial arrivals are expected next week, according to some traders. The weakness of copper unsettled the aluminium market.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.42-6.53z	-0.40
Brent Blend	$19.52-9.58z	-0.35
W.T.I. (1 pm est)	$21.50-1.55z	-0.50
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$212-213	+1
Gas Oil	$174-175	-5
Heavy Fuel Oil	$93-94	-0.5
Naphtha	$196-197	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$405.25	-4.75
Silver (per troy oz)♣	519c	-3
Platinum (per troy oz)	$494.75	-0.40
Palladium (per troy oz)	$134.50	+0.50
Aluminium (free market)	$1480	-20
Copper (US Producer)	105⅝-108c	-1
Lead (US Producer)	40.5c	
Nickel (free market)	290c	-10
Tin (Kuala Lumpur market)	17.32r	-0.38
Tin (New York)	302.0c	-0.5
Zinc (US Prime Western)	68¼c	
Cattle (live weight)†	110.24p	-0.44*
Sheep (dead weight)†	205.93p	+12.4*
Pigs (live weight)†	83.95p	+7.71*
London daily sugar (raw)	$340.8x	-2.0
London daily sugar (white)	$414.5x	-4.5
Tate and Lyle export price	£321.5	-1.5
Barley (English feed)	£116	
Maize (US No. 3 yellow)	£128.5	
Wheat (US Dark Northern)	£130	
Rubber (spot)♥	53.25p	+0.25
Rubber (Feb)♥	55.25p	+0.25
Rubber (Mar)♥	56.25p	+0.25
Rubber (KL RSS No 1 Feb)	224.0m	-0.5
Coconut oil (Philippines)§	$430t	
Palm Oil (Malaysian)§	$280w	+2.5
Copra (Philippines)§	$280	
Soyabeans (US)	£165w	
Cotton "A" index	75.05	+0.15
Wooltops (64s Super)	573p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Feb/Mar. t-Jan/Feb. v-Jan/Mar. w-Feb. z-Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	626	622	627 618
May	639	636	640 632
Jul	655	650	655 647
Sep	672	666	672 662
Dec	694	686	694 686
Mar	712	706	711 706

Turnover: 2497 (5064) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 19 746.28 (749.82):10 day average for Jan 22 756.90 (756.65)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jan	575	574	579 575
Mar	591	590	598 590
May	607	606	612 606
Jul	625	625	628 623
Sep	643	642	643 641
Nov	661	660	663 659
Jan	680	680	682 679

Turnover: 2469 (3038) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 19: Comp. daily 62.09 (61.34). 15 day average 62.94 (63.00)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	323.60	314.20	323.60 313.40
May	322.40	315.00	322.40 314.20
Aug	320.40	313.60	320.00 312.20
Oct	312.20	305.60	312.20 305.40
Dec	310.00	303.40	299.00
Mar	292.40	286.00	292.00 286.60
White	**Close**	**Previous**	**High/Low**
Mar	414.0	411.6	413.0 406.3
May	415.0	412.0	414.5 407.5
Aug	419.0	416.0	418.5 411.5
Oct	388.0	383.5	385.5 378.5
Dec	363.0	357.0	358.5 352.0
Mar	356.0	352.5	355.5

Turnover: Raw 2848 (2451) lots of 50 tonnes. White 1249 (1475)
Paris- White (FFr per tonne): Mar 2406, May 2425, Aug 2455, Oct 2305, Dec 2170, Mar 2155.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Mar	19.70	19.95	20.04 19.50
Apr	19.12	19.36	19.44 18.97
May	18.70	18.94	18.80 18.70
IPE Index	19.80	19.45	

Turnover: 5864 (6788)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Feb	171.25	175.75	177.50 169.50
Mar	166.25	169.75	171.00 164.25
Apr	161.75	163.75	164.50 160.00
May	159.00	161.50	161.50 157.00
Jun	158.00	161.50	160.00 158.00

Turnover 6876 (7675)lots of 100 tonnes

TEA

A TOTAL of 27,860 packages was catalogued at this week's auction, including 7,700 offshore, reports the Tea Brokers Association. Demand was again selective. Better quality Assams remained at fully firm levies but medium descriptions tended easier while plainest sorts were neglected. Plain descriptions were a weak feature throughout. Bright liquoring Ceylons sold well at firm to dearer rates. In the offshore auction cif teas attracted selective support.Fob offerings met fair demand but at easier rates. Quotations: quality 220p nominal (220p), medium 156p (160p) low medium 112p (120p)

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 25,625 tonne
Cash	1457-60	1494-7	1474/1473	1470-2		
3 months	1481-3	1516-7	1513/1474	1497-8	1488-9	31,710 lots
Copper, Grade A (£ per tonne)						Ring turnover 31,525 tonne
Cash	1369-70	1387-9	1396/1370	1396-7		
3 months	1384-5	1401-2	1408/1381	1408-9	1390-1	61,640 lots
Lead (£ per tonne)						Ring turnover 5,375 tonne
Cash	418-9	419-21	420/418	417-8		
3 months	413-4	414-6	414/413	413-4	413-4	9,869 lots
Nickel ($ per tonne)						Ring turnover 2,340 tonne
Cash	6200-50	6550-700		6225-75		
3 months	6100-25	6450-500	6360/6100	6150-200	6125-50	6,862 lots
Tin ($ per tonne)						Ring turnover 1,325 tonne
Cash	6510-35	6540-60	6540	6520-40		
3 months	6630-50	6660-70	6640/6610	6630-50	6610-20	5,388 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 12,275 tonne
Cash	1262-4	1248-52	1273/1272	1272-3		
3 months	1266-7	1256-8	1275/1260	1272-5	1265-6	15,514 lots
Zinc ($ per tonne)						Ring turnover 1,500 tonne
Cash	1260-70	1240-60		1260-70		
March 30	1230-40	1210-20		1230-40		1,414 lots

LME Closing £/$ rate: SPOT: 1.6385 3 months: 1.6207 6 months: 1.5985 9 months: 1.5855

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Feb	145.0	145.0	142.0
Apr	199.0	199.5	199.1 197.5
May	225.0	225.0	224.5 223.0

Turnover 141 (110) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Apr	136.00	137.25	136.00

Turnover 20 (0) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Jan	1655	1677	1670 1655
Feb	1645	1673	1664 1644
Apr	1664	1687	1681 1664
Jul	1410	1425	1420 1410
BFI	1658	1669	

Turnover 506 (332)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Jan	113.00	113.20	113.00 112.85
Mar	115.20	115.75	115.35 115.05
May	119.25	119.80	119.50 119.10
Jun	120.80	121.20	120.85 120.80
Barley	**Close**	**Previous**	**High/Low**
Jan	108.85	109.35	109.20 109.10
Mar	110.50	110.80	110.50
May	112.50	112.80	112.55 112.50

Turnover: Wheat 290 (225), Barley 69 (15).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	105.0	104.0	105.0
Apr	109.5	109.0	110.0 108.5

Turnover 60 (19) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	405-405½	247-247½
Opening	409-409½	249-249½
Morning fix	408.70	248.495
Afternoon fix	406.00	247.380
Day's high	409¾-409¾	
Day's low	404½-405	
Coins	**$ price**	**£ equivalent**
Mapleleaf	413-418	252-255
Britannia	413-418	252-255
US Eagle	413-418	252-255
Angel	413-418	252-255
Krugerrand	403-408	246-249
New Sov.	97-99	59-60
Old Sov.	97-99	59-60
Noble Plat	500.70-506.60	305.30-310.10
Silver fix	**p/fine oz**	**US cts equiv**
Spot	317.05	520.10
3 months	328.75	530.65
6 months	340.80	541.45
12 months	365.50	565.45

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1400	86	98	8	17
1500	25	41	46	57
1600	4	12	123	126
Copper (Grade A)	**Calls**		**Puts**	
2100	155	159	14	41
2200	84	101	42	80
2300	38	59	94	135
Coffee	**Mar**	**May**	**Mar**	**May**
550	44	64	4	8
600	12	32	22	26
650	2	13	62	57
Cocoa	**Mar**	**May**	**Mar**	**May**
600	31	57	6	19
650	7	30	32	42
700	1	14	76	76
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1900	86	76	25	63
1950		52	40	88
2000	31	36	87	

US MARKETS

THE METAL MARKETS featured lower gold prices due to the strong U.S. dollar and scattered long liquidation, reports Drexel Burnham Lambert. In active trading, the February contract lost $2.90 closing at $408. Platinum was down following golds weak performance. Silver gained strength on news out of Peru claiming delays on silver shipments while copper fell to new contract lows. In the softs, quiet trade was seen in all markets. Sugar futures gained from commission house buy stops. The March contract was up 34 closing at 1460. Coffee and cocoa trading had mostly local participants. The grains also had slow sessions. Prices eased in most markets from scattered local selling.The livestocks had a strong rally in bellies from technical buying. Live hogs rose following the rally in bellies. Cattle futures were mixed. Orange juice rallied sharply on news that Brazil had raised its prices while cotton slipped on light volume. The energy complex was down from long liquidation after last weeks gains. Expiration of the February crude oil added weakness.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	407.2	410.0	0	0
Feb	408.0	410.9	409.3	404.7
Mar	410.6	413.4	0	0
Apr	413.6	416.4	415.0	410.5
Jun	418.9	421.7	420.0	415.5
Aug	423.9	426.7	424.5	420.5
Oct	429.1	431.9	0	0
Dec	434.2	437.0	433.5	430.5
Feb	439.4	442.2	439.7	435.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	495.0	497.0	496.0	490.5
Apr	502.0	504.0	502.5	496.0
Jul	508.5	510.5	509.0	503.2
Oct	515.5	517.5	0	0
Jan	523.0	525.0	0	0
Apr	530.5	532.5	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	526.6	520.2	0	0
Feb	527.4	520.9	0	0
Mar	531.5	525.0	532.5	520.0
May	539.9	533.4	541.0	529.1
Jul	548.0	541.6	550.0	537.0
Sep	556.5	550.2	558.0	548.0
Dec	568.3	562.0	567.0	557.0
Jan	571.9	565.6	0	0
Mar	580.7	574.4	573.0	572.0
May	588.6	582.3	578.0	578.0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 22	Jan 19	mnth ago	yr ago
1794.3	1798.7	1808.0	1996.0

DOW JONES (Base: Dec. 31 1974 = 100)

	Jan 19	Jan 18	mnth ago	yr ago
Spot	128.84	127.21	127.90	140.40
Futures	129.84	130.00	129.83	143.70

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	100.85	101.00	101.60	99.00
Feb	99.25	100.80	100.10	99.00
Mar	98.75	99.30	.10	97.60
Apr	98.35	99.00	99.00	97.50
May	98.05	98.60	98.60	97.00
Jun	97.55	98.45	0	0
Jul	97.15	98.15	98.20	96.70
Aug	96.85	97.85	0	0
Sep	96.50	97.55	96.20	96.10
Oct	96.30	97.25	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	22.46	23.67	24.20	22.30
Mar	21.71	22.06	22.31	21.55
Apr	21.10	21.37	21.55	20.96
May	20.67	20.85	21.01	20.55
Jun	20.28	20.42	20.58	20.19
Jul	19.94	20.04	20.14	19.85
Aug	19.65	19.73	19.83	19.60
Sep	19.44	19.47	19.55	19.30
Nov	19.16	19.16	19.19	19.08

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	6140	6386	6400	6050
Mar	5825	5968	6000	5780
Apr	5585	5692	5715	5560
May	5405	5487	5515	5390
Jun	5270	5352	5370	5260
Jul	5240	5312	5260	5210
Aug	5270	5367	5295	5230
Sep	5415	5447	5415	5415

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	954	932	956	929
May	949	934	950	932
Jul	966	946	967	947
Sep	981	967	981	969
Dec	1007	995	1007	995
Mar	1026	1015	1016	1014
May	1035	1026	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	81.49	81.31	82.00	80.75
May	82.49	82.61	83.20	82.10
Jul	84.27	84.30	85.00	84.00
Sep	86.30	86.10	87.00	85.80
Dec	88.75	88.20	89.50	88.50
Mar	90.10	90.75	0	0
May	92.13	92.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.60	14.26	14.66	14.20
May	14.66	14.25	14.69	14.21
Jul	14.41	14.10	14.45	14.08
Oct	14.05	13.71	14.08	13.72
Mar	13.25	13.04	13.40	13.08
May	13.16	12.95	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	66.71	67.02	66.92	66.10
May	67.82	68.05	68.05	67.28
Jul	67.92	68.25	68.20	67.65
Oct	65.60	66.50	65.80	65.30
Dec	64.56	64.26	64.60	64.12
Mar	65.20	65.03	0	0
May	65.75	65.50	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	205.35	197.80	206.50	202.25
May	203.95	198.85	203.95	203.85
Jul	203.95	196.95	203.95	203.95
Sep	201.40	196.40	201.40	201.40
Nov	199.25	194.25	199.25	199.25
Jan	196.25	191.95	196.50	195.00
Mar	194.45	189.95	0	0
May	194.95	190.00	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	554/4	558/0	559/0	554/4
Mar	565/0	565/4	567/0	561/4
May	579/0	578/6	579/4	574/6
Jul	590/0	589/2	590/4	585/4
Aug	594/4	593/2	595/0	590/0
Sep	593/4	593/2	594/0	590/0
Nov	599/4	598/2	600/0	594/6

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	18.84	18.80	18.87	18.72
Mar	18.93	19.01	19.08	18.86
May	19.34	19.41	19.47	19.25
Jul	19.66	19.68	19.78	19.55
Aug	19.69	19.72	19.85	19.65
Sep	19.69	19.69	19.80	19.68
Oct	19.80	19.80	19.90	19.75
Dec	19.95	19.98	19.95	19.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	167.6	167.5	167.5	167.0
Mar	170.9	171.5	171.5	169.7
May	173.3	173.7	173.7	172.1
Jul	175.9	176.5	176.5	174.8
Aug	177.0	177.6	177.7	176.5
Sep	178.2	178.7	178.8	177.0
Oct	179.2	179.8	180.0	178.5
Dec	181.7	183.5	183.0	181.3

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	240/4	241/6	241/4	240/2
May	246/4	247/6	247/4	246/0
Jul	251/0	252/2	251/6	250/4
Sep	248/6	251/4	251/2	248/6
Dec	247/0	249/4	249/0	246/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	392/4	392/0	394/2	391/2
May	373/6	372/0	374/0	371/0
Jul	355/0	5352/2	358/4	351/0
Sep	360/4	357/6	361/0	356/4
Dec	371/6	368/2	372/2	367/2

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	79.25	79.35	79.35	78.97
Apr	77.35	77.40	77.40	77.02
Jun	72.60	72.55	72.62	72.32
Aug	71.52	71.60	71.70	71.40
Oct	72.42	72.42	72.57	72.25
Dec	72.85	72.90	72.95	72.65

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	50.12	49.55	50.15	49.35
Apr	48.77	48.17	48.85	48.00
Jun	53.35	52.95	53.45	52.80
Jul	53.25	52.87	53.32	52.62
Aug	51.67	51.20	51.82	51.15
Oct	46.07	45.50	46.10	45.45
Dec	46.90	46.67	46.95	46.67

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	57.05	55.15	57.10	54.80
Mar	57.57	55.67	57.55	55.45
May	58.62	57.27	58.77	56.90
Jul	58.52	57.60	58.85	57.30
Aug	56.55	55.86	56.95	55.55
Feb	57.55	57.70	58.40	57.55

LONDON STOCK EXCHANGE

Market closes below FT-SE 2,300

Account Dealing Dates		
*First Dealings:		
Jan 15	Jan 29	Feb 12
Option Declarations:		
Jan 25	Feb 8	Feb 22
Last Dealings:		
Jan 26	Feb 9	Feb 23
Account Day:		
Feb 5	Feb 19	Mar 5

*New time dealings may take place from 9.00 am two business days earlier

GLOOMY NEWS on the domestic economy and a depressing opening trend on Wall Street combined to drive the UK stock market down heavily again yesterday. The Footsie Index fell by nearly 38 points and in the closing minutes of trading dipped through the 2,300 mark regarded as the testing level for the new trading range established since the reversal of the post-Christmas advance.

Further indications of pressures on the domestic economy came in the form of November data showing an unexpected 0.5 per cent fall in industrial production and a 5.6 per cent annualised gain in unit wage costs. Equities, which had opened higher in response to Tokyo's firmer performance, quickly turned downwards. An attempt to steady around mid-session was brushed aside as the Footsie futures contract met a single heavy seller and quickly fell to a discount against the underlying Index. Losses were extended as the big securities houses heard from their New York offices that Wall Street would face selling pressure when it opened.

London share prices crumbled away as the US market came on a sharply bearish tack and by the late afternoon the slide in UK stocks gathered pace as traders stood aside and waited to see the Footsie 2,300 mark challenged. In the event, this support point was broken very late in the day, leaving little time for any attempt to regain the Footsie's testing level.

The final reading showed the FT-SE down 37.9 points at 2,297.1, making a loss of 166.6 points (6.8 per cent) since the peak reached on January 3. The challenge to Footsie 2,300 caused many strategists to re-examine their claim that the market will trade in a 2,300-2,400 range in the near term, and, perhaps, to make further ground later in the year.

At County NatWest, which is sticking to its forecast of a FT-SE at 2,600 by the year-end, John Reynolds commented that a correction of up to 200 Footsie points from the high was not unexpected in a market vulnerable to worries over wage inflation and rising bond yields. Clearly, the market was now closely tied to trends in Tokyo and Wall Street, but he believed that UK institutions might see present levels as buying opportunities.

Peter Warburton at Flemings Research commented that yesterday's "gloomy news on the supply side of the UK economic equation" was reflected in negative corporate developments, notably at Coloroll, the wallpaper and paints firm, and Lowndes Queensway, the high street furnisher.

One encouraging factor was that trading volume was low yesterday, with the Seaq network recording turnover of 307.1m shares, significantly below the levels of the December bull phase.

FINANCIAL TIMES STOCK INDICES

	Jan 22	Jan 19	Jan 18	Jan 17	Jan 16	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	81.34	81.56	81.04	81.62	82.36	88.35	89.29 (6/2/89)	81.04 (18/1/90)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.42	91.50	91.69	92.33	92.46	97.10	98.59 (15/3/89)	91.42 (22/1/90)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1840.1	1868.0	1864.4	1895.3	1875.7	1569.5	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	321.8	329.4	342.9	351.4	356.8	169.0	355.8 (16/1/90)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2297.1	2335.0	2336.9	2373.9	2349.1	1924.7	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.65	4.57	4.58	4.50	4.55	4.67				
Earning Yld %(full)	11.33	11.15	11.16	10.99	11.10	11.75				
P/E Ratio(Net)(☆)	10.68	10.86	10.83	11.02	10.90	10.28				
SEAQ Bargains(5pm)	25,887	25,111	24,923	26,290	28,279	34,484				
Equity Turnover(£m)†	-	729.71	914.98	831.94	892.43	1312.74				
Equity Bargains†	-	24,128	24,665	25,186	27,723	36,425				
Shares Traded (ml)†	-	359.6	374.5	364.5	352.5	548.5				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.63

Ordinary Share Index, Hourly changes — Day's High 1877.5 — Day's Low 1840.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1877.1	1867.5	1863.8	1862.1	1864.7	1864.2	1861.0	1847.7

FT-SE, Hourly changes — Day's High 2348.4 — Day's Low 2297.1

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2346.3	2332.6	2328.0	2324.9	2328.2	2327.5	2324.8	2308.0

GILT EDGED ACTIVITY

Indices*	Jan 19	Jan 18
Gilt Edged Bargains	97.9	102.5
5-Day average	98.8	95.0

*SE Activity 1974 †Excluding intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

Telecom beats the trend

British Telecom (BT) shares were among the few FT-SE stocks to hold up well in a very difficult market, after the group revealed it was putting up for sale its 51 per cent controlling interest in Mitel Corporation, the Canadian manufacturer of telephone equipment.

BT completed the purchase of its holding in Mitel in March 1986, paying £160m for the shares. Electronics analysts took the view yesterday that Mitel is currently worth in the region of £120m, thereby valuing BT's stake at around £60m. "But a majority stake in such a company would obviously go for more than that," said one analyst. He added that the Mitel investment was a mistake by BT, "and it says something for them that they want to concentrate in services and away from manufacturing – it has to be the right way for BT in the future."

Another analyst said BT, at a 10 to 11 per cent discount to the market, did not look expensive. The group is scheduled to announce third-quarter figures on February 8, with brokers' estimates said to be in the region of £675m to £725m for the three-month period. For the full-year BT is expected to come up with pre-tax profits of around £2.7bn, against last year's £2.44bn. However, some analysts see signs of nervousness regarding the impact of a slowing UK economy on call volume growth. At the close yesterday, BT shares were 2 easier at 289p after turnover of 4.6m [illegible]

Steel steady

British Steel opened higher following reports that the company had entered into negotiations with Hoesch in West Germany on joint ventures. A subsequent denial by Hoesch brought Steel back into line, and they stabilised a penny off at 130p, slightly outperforming the market on relatively low volume of 4.5m.

One analyst said: "Obviously there's something going on. There's going to be some form of joint venture. For now, the market has overlooked it. A joint venture would be good news because it would mean that they had finally cracked the German market. It all depends on the size of the deal."

Cables weak

Cable & Wireless shares were among the weakest of the FT-SE stocks during the afternoon with dealers casting around for reasons for the spate of late selling. C & W have been boosted recently by expectations that CITIC, the Chinese Goverment's investment agency, was about to buy a 20 per cent stake in Hong Kong Telecom with around 16.5 per cent being sold by C & W and the remaining 3.5 per cent coming from the Hong Kong Government. The sale should raise more than £650m for C & W.

One hint that emerged late in the session was that a problem concerning C & W's stake in the Mannesman consortium, had developed. The Mannesman consortium was granted a cellular radio licence by the West German Government late last year. At the close C & W were 24 down at 523p, with volume a relatively low 1.1m shares.

The big oil stocks, which have shown a marked reluctance to follow the wider market sharply lower, finally succumbed to sustained selling pressure. And there was talk of imminent profits downgrades of BP and Shell by one of the top UK houses.

Shell retreated 11 to 451p, although turnover was only 1.2m, while BP dipped 7 to 321p on 2.8m. Ultramar fell 8 to 351p on just short of 1m shares.

The absence of news of further stakebuilding by SHV, left Burmah thoroughly depressed and finally 17 lower at 642p. Turnover was a pitiful 82,000 shares. Calor, often linked with Burmah as a potential merger candidate and, along with British Gas, regarded as one of the market's "weather plays", confounded many dealers by closing marginally ahead at 368p. Turnover was 87,000 shares.

Bank stocks perceived to be potential takeover targets were among the market's better performers. Of these, Standard Chartered, a long-term takeover favourite – a merger with Royal Bank of Scotland was proposed some years ago and Lloyds subsequently launched a contested bid for the bank – drew strong support, the shares moving up to 563p before closing a net 7 higher at 559p.

Allied Irish Bank maintained their recent good form, closing a further 5 higher at 279p, after 282p, after dealers picked up hints that a share swap deal with Banque Nationale de Paris might be on the cards. A similar story, citing Royal Bank of Scotland instead of Allied, did the rounds of the market, some weeks ago.

Internationally quoted stocks were badly hit in the Wall Street-inspired falls of the afternoon session. Hanson fell 4½ to 225p, Glaxo lost 23 to 718p and ICI shed 19 to 1109p.

Wellcome firmed initially after last week's sharp declines, but the shares succumbed eventually to close another 7 lower at 700p.

Most leisures stocks retreated with the market. One exception was Granada, which climbed to 342p before settling at 338p, up 2 on the day. Dealers said hopes were high for what might be said at today's press conference on the financing for British Satellite Broadcasting. Granada is one of the three main British publicly quoted companies backing the venture.

Rank Organisation had a good day ahead of full year figures on January 25. The shares peaked at 852p before ending at 848p, up a net 5. US interest in Carlton Communications left the shares a penny better at 763p.

There was busy trade in Lowndes Queensway, back from having been suspended at 8½p last August. Most of the business was at the 4p level and the shares eventually closed at 4½p.

Ranks Hovis Macdougall ran into profit-taking after several firm days on the back of bid talk. Sunningdale, the investment vehicle run by Sir James Goldsmith, has 29.9 per cent of RHM. As one dealer put it: "If you don't believe the story, take profits." The shares fell 11 to 341p.

There was good two-way business in United Biscuits, 5 lower with the market to 336p on turnover of 3m. Marketmakers said there was significant trade through the interdealer broking network too.

Profit-taking brought shares in Vickers back into line with the market, down 8 at 216p.

Rechem Environmental Services recovered their poise following the drubbing suffered on the back of Friday's profits warning. The shares picked up 17 to 525p. The rally was attributed to a few buyers taking advantage of the low price while there were still plenty of shares on marketmakers' books. Caird, another waste disposal firm with so-called "green appeal," also made good progress, adding 7 at 521p.

Among transport sector leaders, BAA held up well. The shares showed a gain of a penny or two most of the day before finishing unchanged on relatively good volume of 1.7m. Dealers said BAA's defensive qualities attracted buyers.

Coloroll took a dive as reduced profit forecasts from the boardroom followed adverse press comment over the weekend. The share price was more than halved to drop from 63p to 27p. It picked up slightly to 29p by the end of the day. One analyst said: "It was the level of borrowings rather than the profits warning that worried people."

Mr Lawrence Rubin, of Kitcat & Aitken, said that the stock could still be volatile and could only be regarded as highly speculative. Another analyst said that Coloroll had "walked on water wearing rose-tinted spectacles." The market's judgement of Coloroll's prospects is closely linked to interest rates. In the words of one analyst, "the interest rate rise was key."

BET outperformed the market, putting on 4 in the early morning trading, and staying level for the day, while the rest of the market was falling away, at 250p. Mr Robert Gibson of Robert Fleming said: "They have got a bit of catching up to do. There was a rally while they were getting involved in Hestair, so it underperformed very badly when the market was recovering."

BOC sustained heavy losses in the afternoon, closing 14 off at 517p. Mr Charles Brown, of Goldman Sachs, said: "It's been one of the signal outperformers over the last three months. We have just seen a bit of profit-taking."

Cookson, off 13 at 261p, and BTR, down 14 at 428p, both had a bruising day. This was put down by analysts to over-reaction on thin volume.

Laing Properties also forged ahead 26 to 534p, finishing at 531p, on speculation that the stake held by private company Chelsfield was about to change hands. This was described by one analyst as "an old chestnut," while another said: "There's always going to be some speculation about it." Mr David Tunstall of Smith New Court said: "I do not think there is any evidence of their having been active recently".

The momentum of Bristol Evening Post's leap of 55 on Friday continued only briefly into yesterday's trading. The shares added another 6 before trickling back in the wider market's weakness to end 10 down on the day at 350p.

Shares in Euromoney, the financial magazine publisher, began trading on the London Stock Exchange. At the close the were 33 above the placing price of 350p.

The weekend press suggested that Dutch paper group Buhrmann-Tetterode would have to pay more than £5 a share for for UK rival Robert Horne. The shares jumped 40 at one point point and closed 32 better on the day at 380p.

Advertising agencies had a difficult day, especially the second liners where the likes of FKB continued last week's persistent weakness to finish another 9 lower at 155p. Even the leaders were sluggish. Saatchi & Saatchi fell with the market 7 to 238p while WPP took little notice of the company's £25m US acquisition and slipped 6 to 687p.

A 64 per cent increase in interim profits from Associated British Consultants, the building and civil engineering consultancy, pushed the shares 7 better to 175p.

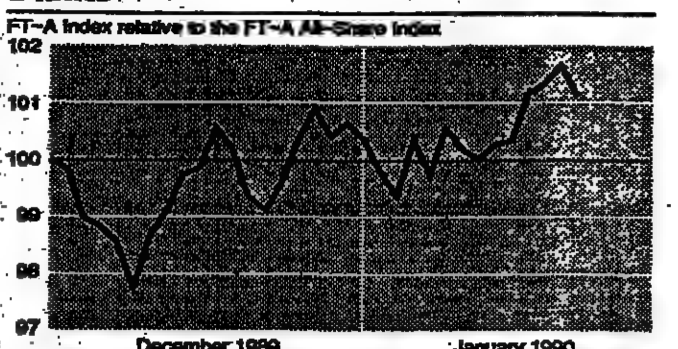
Amercian buying was said to have been responsible for the rise in Racal Telecom, 7 higher at 369p, but Racal Electronics dipped 5 to 226p ahead of the presentation to institutions at Claridges tomorrow.

Hoskyns, the software group, advanced a further 26 to 354p after Press comment suggesting that takeover bids for the group, where GEC/Siemens has said it will sell its 73 per cent stake, would have to be in the region of 400p a share.

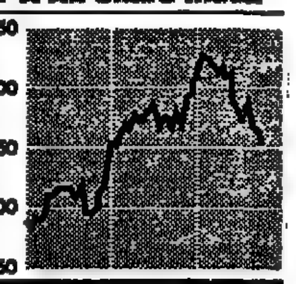
■ Other Market statistics, including the FT-Actuaries share index, London Traded Options, and recent issues (including the water issue stocks) Page 24

Banks

FT-A Index relative to the FT-A All-Share Index

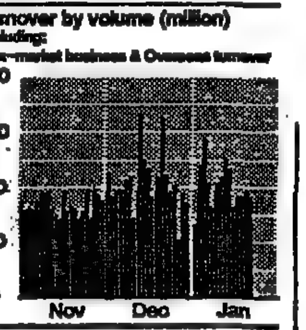


FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1989/90

[illegible]

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	162	205	-3	Comm. Union	542	463	-5	Lloyds Bank	1,100	289	-4	Sears	1,400	104½	-1½
ASDA Group	1,200	113		Cookson	892	261	-13	LASMO	1,000	579	+4	Sedgwick	231	287	-2
Abbey National	662	176	-1	Courtaulds	3,200	368	-5	Lonrho	69	307	-4	Shell Transport	1,200	451	-11
Allied-Lyons	1,000	490	-9	Dalgety	398	398	-1	Lucas	368	634	-8	Siebe	74	478	-1
Amstrad	1,800	50½	-3½	Dixons	976	127	-1	MB Group	605	215	-4	Slough Ests	402	322	-2
Argyll Group	2,036	214		Eng. China Clays	185	440	-3	MEPC	540	504	-6	Smith (W.H.) A	181	327	-1
Ass. Brit. Foods	1,000	401	-9	Enterprise Oil	1,400	[illegible]	[illegible]	Marks & Spencer	3,900	184	-3	Smith & Nephew	2,200	128½	-1½
BAA	1,700	376		FKI	272	73	-2	Maxwell Comm.	278	212	-3	SmKl Beecham	1,100	572	-7
BAT Inds.	2,600	817	-6	Ferranti	10,000	29	+1½	Mecca Leisure	461	160	-3	SmKl Beecham Units	40	2545	-43
BET	1,246	250		Fisons	1,300	[illegible]	[illegible]	Midland Bank	3,400	360	-6	Smiths Inds.	316	290	-3
BICC	676	440	-2	Gen. Accident	109	1104	-6	NatWest Bank	3,100	348		Standard Chartd.	342	559	+7
[illegible]															
Boots	1,600	265	-3	Guinness	2,000	681	-12	RMC	154	677	-7	Tesco	2,100	164	
Brit. & Comm.	2,100	89	-2	Hammerson 'A'	21	778	-10	RTZ	1,700	522	-22	Thames Water	1,800	133	-1½
Brit. Aerospace	440	542	-1	Hanson	2,900	225	-4½	Racal	2,700	226	-5	THORN EMI	505	783	-8
British Airways	1,300	204	-3½	Hanson Warrants	2,100	65	-1	Racal Telecom	1,000	369	+7	Trafalgar House	714	350	-10
British Gas	7,079	215	-3	Harrisons Cros.	49	151	-3	Rank Org.	280	848	+5	Trusthouse Forte	2,000	283	-9
British Land	543	403	+2	Hawker Sidd.	78	692	-2	Reckitt & Colman	38	1217	-14	Ultramar	998	351	-8
BP	2,800	321	-7	Hillsdown	1,400	272	-4	Redland	153	568	-7	Unigate	176	329	-5
British Steel	4,500	131	-½	IMI	41	225	-2	Reed Intl.	698	426	-8	Unilever	657	687	-11
British Telecom	4,500	289	-1	ICI	1,600	1109	-19	Reuters	324	1023	-23	United Biscuits	3,000	336	-5
Bunzl	1,700	113	-1	Inchcape	408	384	-2	Rolls Royce	1,000	177	-3	Utd Newspapers	405	428	-11
Burmah Oil	82	642	-17	Jaguar	1	849		Rothmans	396	830	-6	Wellcome	529	700	-8
Burton	1,200	169	-5	Kingfisher	588	291	-5	Ryl Bk Scotland	1,800	280		Whitbread "A"	410	393	-11
Cable & Wire.	1,100	523	-24	Ladbroke	1,600	311	-12	Royal Insurance	851	509	-12	Williams Hldgs.	473	238	
Cadburys	812	387	-9	Land Securities	1,400	602	-8	STC	927	250	-11	Willis Faber	368	275	-1
Calor Group	87	368	+1	Laporte	332	568	-2	Saatchi	123	238	-7	Wimpey	282	245	-3
Carlton Comms.	215	763	+1	Legal & General	737	380	-8	Sainsbury	420	266	-6				
Coats Viyella	829	137	-5	Lloyds Abbey	233	313	-4	Scottish & New.	548	329	-7				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

APPOINTMENTS

Deutsche Bank directors join Morgan Grenfell board

Now that MORGAN GRENFELL GROUP has become part of Deutsche Bank three members of the board of managing directors of the bank have joined the Morgan Grenfell board. They are Mr Hilmar Kopper, Dr Rolf-E. Breuer and Miss Ellen R. Schneider-Lenne. The following non-executive directors have retired from the Morgan Grenfell board: Mr R.N. Bowes, Sir Peter Carey, Sir Kenneth Durham, Mr J.A. Morgan, Mr D.V. Palmer, Lord Pennock, Lord Sharp and Mr C.M.J. Whittington. Mr Hilmar Kopper, who is spokesman of the board of managing directors of Deutsche Bank, has been appointed joint deputy chairman of Morgan Grenfell.

MR HILMAR KOPPER

■ BRYANT PROPERTIES has made the following appointments: Mr Nick Harris has been promoted to managing director of Bryant Properties Investments, investment trading subsidiary of Bryant Properties. Mr Andrew Bell has joined the board of Bryant Properties Developments, the development subsidiary of Bryant Properties.

■ Mr Philip Mussellwhite has been appointed company secretary of SERIF COWELLS, a leisure, publishing and printing group. He joined the company in May 1989 with responsibility for group administration.

■ Mr Rodney Cookson has been appointed divisional managing director of FAIRCLOUGH BUILDING, South East and Anglian division, Ipswich. He was London and Southern division deputy managing director.

■ BARING SECURITIES has appointed from February 1: Mr Stuart Cook, Ms Vanessa Gibson, Mr John Guy, Mr Mark Hatcher, Mr Rupert Lowe, Mr William Murray, Mr James Vestal and Mr Steven Webb as directors; and Mrs Fiona Crisp, Miss Lynn Henderson, Mr Ian McCafferty, Miss Debra Schinasi, Mr Charles Underwood and Miss Elizabeth Wong as assistant directors.

■ SVENSKA INTERNATIONAL has appointed Mr Claes Carlon, Mr Noel Meredith and Mr Philip Moss as directors.

■ B&C PROPERTIES has appointed Mr Christopher D.M. Chase as construction director. He was a director with Imry Merchant Developers.

■ Mr P.A. Miller and Mr M.A. Thompson have been appointed directors of BOWRING LONDON. Mr A.J. Hitchen and Mr S.H.P. May have been appointed directors of Bowring Aviation. Mr B.V. Hitchcock has become an executive director of Bowring Marine & Energy and Mr G.R. Evans and Mr A.H. Nicely have been made directors.

■ Miss Margaret Ryan, a member of the corporate advisory division, has been appointed a director of COUNTY NATWEST.

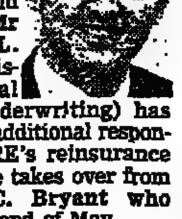
■ Mr Donald Payne and Mr John Wooderson have been appointed deputy chairmen of Lloyd's broker WILLIS FABER & DUMAS.

■ Mr David E.G. Prain, previously with County NatWest, has become an executive director of EUROPA MINERALS GROUP.

■ Mr Patrick G. Cubbidge is to join CHANCELLOR INSURANCE CO as property underwriter on February 19.

■ Sir Ron Dearing, former head of the Post Office, is to become chairman of the NORTHERN DEVELOPMENT COMPANY, the agency supported by public and private sectors to foster economic development and inward investment in north-east England and Cumbria. He takes over in April from Mr Reay Atkinson, a former senior civil servant who has chaired the corporation since its foundation three years ago. Sir Ron is chairman of the County Durham Development Company, another public-private sector body set up in 1988.

Mr Bill Dunham (pictured) has been named head of GUARDIAN ROYAL EXCHANGE's commercial insurances department, Ipswich. He takes over in April from Mr Peter Edwards who becomes assistant general manager (field operations). Mr Nicholas L. Feldman, assistant general manager (underwriting) has taken on the additional responsibility of GRE's reinsurance operations. He takes over from Mr Derek C. Bryant who retires at the end of May.



LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

BRITISH FUNDS—Contd

Index-Linked

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

LONDON SHARE SERVICE

BANKS, HP & LEASING

1989/90 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
*303	216	ANZ $A1	294	+2	44c	1.4	7.2	9.9
191	134	Abbey National 10p	176	–1	L7.7	2.7	5.8	7.2
*282	120½	Allied Irish Ord	279	+4	‡Q68%	3.3	2.9	14.4
£13¼	£11¼	Algemene Fl 10	£12⅛	+⅛	Q28%	2.0	7.3	6.8
*80	61	Anglo Irish	73	.....	Q18.7%	2.7	6.0	10.0
81	57	Ansbacher (H.) 1p	73	.....	2.0	–	3.7	–
£72¼	£38⅛	Bancaire Cie Fr100	£63⅞	.....	Q12¼%	–	2.0	–
£46¼	£35¼	Banco Bilbao Viz	£39¾	.....	Q35.7%	2.0	3.4	14.6
[illegible]	[illegible]	Banco de Santander	£27¼	.....	Q21%	2.4	2.9	14.4
*286	169	Bank Ireland Ir£1	284	+5	‡Q12%	5.2	4.1	9.7
£19½	£17½	Bank Leumi	£19½	..	–	–	–	–
350	345	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
125	88	Bank Scotland	115		†3.8	3.6	4.4	8.3
111¼	96½	Do. 9¼pc Irrd Pf	96½	–½	9¼%	–	12.8	–
*67	49	Bank of Wales	54		2.8	1.6	6.9	11.3
*582	404	Barclays £1	549	–6	†23.0	3.5	[illegible]	6.3
31	19	Benchmark 20p	20	+1	1.63	1.0	10.8	11.5
363	285	Brown Shipley £1	320	+2	†10.5	–	4.4	–
455	325	Cater Allen £1	415	...	23.5	–	7.6	–
259	157	Chancery	177	+12	†8.0	2.8	6.0	7.8
£23	£14½	Commerzbk DM10	£21¼	+¼	Q18%	–	3.1	–
*£29	£22¼	C'hgn Hbk Kr100	£26½	+⅛	qvQ15%	–	[illegible]	–
£16⅞	£10⅞	Dai Ichi KBk Y50	£12⅛	+¼	†Q16%	8.8	0.3	41.8
*£314¼	£156¼	Deutsche Bk DM50	£288	+⅛	Q24%	–	1.5	–
£22¼	£17¾	Espirito Santo	£20¼	–⅛	Q75c	3.3	2.2	13.8
260	182	First Nat. Fin. 10p	218xd	–1	13.0	♦	[illegible]	♦
134	90	FNFC 6.3pc CvRedPrf	113	–2	6.3%	–	7.4	–
£16⅞	£13½	Fuji Bank Y50	£13½	...	Q15.6%	4.2	0.2	–
325	230	Gerrard & National	281	–	18.5	–	8.8	–
154	118	Guinness Mahon 10p	150	+1	♦2.1	–	1.9	–
300	197	Hambros 20p	290	+3	†10.0	–	4.6	–
116	90	Do. 7.5pc Cv Pf	[illegible]	+1	7½%	–	8.8	–
60	39	HK & Shang. HK$2.50	56	...	HQ36c	–	5.2	–
495	423	Joseph (Leo) £1	473	.....	[illegible]	–	4.5	–
145	115	King & Shaxson 20p	140	–1	[illegible]	–	8.8	–
422	277	Kleinwort Benson Grp	407	+6	14.0	–	4.6	–
355	213	Lloyds £1	289xc	–4	‡11.2	4.5	5.2	5.7
56	40	Lon. Scot. Bank 10p	54	–1	2.4	♦	6.1	♦
406	287	Midland £1	360	–6	‡16.4	3.3	6.1	6.7
£15¼	£12¼	Mitsubishi Bank Y50	£12¼	+⅛	†Q16%	8.1	0.3	45.0
£14⅛	£11¼	Mitsubishi Tst & Bk Y50	£11⅞	–⅛	Q16%	8.2	[illegible]	42.2
934	802	Mitsui Tst & Bk Y50	812	+5	Q16%	7.1	0.4	34.1
592	257	Morgan Grenfell £1	540	–7	♦†10.85	–	2.7	–
*352	269	Nat Aust. Bk. A$1	317	+3	†Q32c	1.5	4.8	13.8
365	255	NatWest £1	348	.....	‡14.12	4.4	5.4	5.5
£220	£160	Ottoman Bank	£205	...	Q90%	–	4.4	–
83	48	Rea Bros. Group	48	...	0.5	–	1.4	–
*240	155	Rothschild (J) Hldgs	195	+2	†9.5	3.6	6.5	5.6
218	139	Royal Bk. Scotland	200	.....	7.2	3.8	4.8	7.0
822	699	Saitama Bank Y50	714	+15	†Q13%	4.7	0.4	55.7
*£13¼	£10¾	Sanwa Bank Y50	£11¼	+⅛	†Q16%	8.3	0.3	39.9
220	124	Scandinavian Bk Units	218	.....	♦†8.5	–	5.2	–
1735	870	Schroders £1	1650	..	[illegible]	–	1.6	–
1275	655	Do. £1 N/V	1225	.....	19.5	–	2.1	–
£33⅛	£19¾	Sec. Pacific $10	£23¾	–⅛	Q$1.96	–	5.0	–
*573	449	Standard Chartd £1	559	+7	33.9	2.9	8.1	4.8
£19⅛	£13¼	Sumitomo Bank Y50	£14⅛	+⅛	†Q16%	7.5	0.2	56.0
£13⅛	£10⅞	Sumitomo Tst & Bk Y50	£10⅞	+⅛	†Q16%	8.1	[illegible]	90.0
138	97	TSB	130½	+½	5.8	q2.6	6.1	8.5
234	140	TSB Channel Is I	170	.....	Q6.7	♦	3.9	♦
£11⅛	£9¼	Tokai Bank Y50	£9⅞	+⅛	Q16%	4.1	0.3	72.2
1015	847	Toyo Tst & Bk Y50	848	+1	Q16%	6.9	0.4	36.6
610	470	Union Discount £1	585	.....	30.0	–	6.8	–
525	277	Warburg (S.G.)	488	..	†12.5	–	3.4	–
180	98	Do. 6pc Cnv Prf	167	–3	6%	–	4.8	–
*284	226	Westpac $A1	278	+7	Q52.5c	1.5	9.1	7.2
468	408	Wintrust 20p	413	.....	7.8	–	2.5	–
1016	873	Yasuda Tst & Bk Y50	897	+15	NQ17%	9.3	0.4	26.7

Hire Purchase, Leasing, etc.

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
349	224	Anglo Grp 10p	300	+3	†5.0	4.1	2.2	11.7
£190	£105	Do. 9½pc 1999	£112½	+2	Q9½%	–	8.4	–
*373	135	CLF Yeoman 50p	135	–15	[illegible]	3.4	7.7	4.2
71	56	♦Cambridge Grp Ir5p	62	.....	‡Q7¼%	14.8	0.5	17.5
100	45	♦Capital Leasing Ir 10p	45	–1	[illegible]	♦	2.5	♦
78	51	Cattle's (Hdgs) 10p	67	.....	†3.25	2.2	6.5	9.5
408	303	Prov. Financial	385	+2	†18.0	1.6	6.2	10.1
235	100	♦Reflex Invs. Ir5p	235	.	Q26.4%	♦	0.5	♦
236	146	Secure Trust Grp. 1p	225	.....	W7.0W	1.5	4.2	11.3
203	127	Woodchester IR20p	203	+7	‡Q11¼%	6.2	1.1	17.6

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
£17¼	£11½	DAF N.V. Fl1.5	£11½	+¼	Q2.5	1.8	6.1	9.1
162	113	General Mtrs Units	128	......	Q21.%	–	5.9	–
906	264	Jaguar	849	......	†11.0	0.5	1.7	–
*61½	27	‡March Group 5p	40	......	†Q0.64	–	‡	–
£205½	£94½	Volkswagen DM50	£188½	+1¼	Q20%	2.8	1.8	20.0
£51⅞	£33½	Volvo Kr25	£41¼	......	Q56%	3.3	3.2	10.5

Commercial Vehicles

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*505	228	ERF (Hldgs)	235	+5	15.0	3.7	8.6	4.2
*245	166	Plaxton Grp	175	−1	H8.5	2.1	6.5	17.8

Components

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
435	375	Abbey Panels	420d	......	3.5	♦	1.1	♦
290	185	AirflowStreamlines	223	−1	6.0	4.2	3.6	8.9
95	51	♦BTS 10p	53	......	0.5	–	1.3	–
208	143	Bostrom 5p	179	......	L5.1	10.8	3.8	8.6
299	224	Dowty 50p	229	−4	18.0	2.9	4.7	11.8
261	185	FR Group	227	......	15.54	3.7	3.3	11.2
*174	100	Kwik-Fit Hldgs. 10p	118	−1	2.4	2.8	2.7	17.6
*725	509	Lucas Inds. £1	634	−9	25.0	2.9	5.3	7.4
*62	14	♦Spice 5p	15	......	[illegible]	0.4	‡	–

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Contd

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*205	122	Egerton Trust	137	......	6.5	3.1	6.3	6.5
268	163	Estates Prop. Gp. 10p	165	......	†2.2	8.3	1.9	6.4
141	100	Eng & Brass Prop 10p	103	......	L2.6	7.9	3.4	5.0
280	188	Erostia Group	205	......	16.0	8.8	3.9	8.9
350	300	Ests. & Agency	350	......	15.0	1.6	1.9	44.3
231	168	Ests. & Gen. 20p	168	......	†3.4	2.1	2.7	22.6
117	93	Do. 6pc Cr. Pf.	98	+2	6.0	–	8.2	–
255	170	Evans of Leeds	213	......	6.15	2.3	3.8	15.3
*133	79	Ewart	88	......	L1.88	2.3	2.8	19.3
47	36	First Intl Prp Tst	43	......	–	–	–	–
4½	2	Do. Options	2	......	–	–	–	–
85	54	Five Oaks Invs 5p	67	......	1.6	5.4	3.2	6.7
205	155	Fletcher King 10p	158	−2	10.6	2.0	9.2	7.2
170	96	F.S.M. Props. 10p	125	......	5.0	4.7	5.4	4.7
543	382	Frogmore Est. 50p	451	......	11.0	2.4	3.3	16.5
456	290	Grainger Trust	318	......	5.25	♦	2.3	♦
352	270	Gt. Portland 50p	283	−3	H9.0	1.2	4.3	25.4
£153	£92	Do 9½pc Cv Ln 2002	£118	−4	Q9½%	–	8.0	–
169	120	Green Property 12½p	135	−5	tQL2%	2.2	3.0	21.8
580	394	Greycoat 10p	434	−4	14.5	4.1	1.4	18.6
65	31	Hambro Countryside 5p	51	+2	†2.6	1.9	‡	9.8
929	720	Hammerson "A"	778	−10	17.0	1.9	2.9	20.3
188	93	Hanover Druce 10p	108	......	5.0	0.9	6.2	23.2
705	570	Hardanger Prop 10p	625	......	20.13	2.8	6.0	7.4
353	225	Helical Bar 5p	265	−1	†5.8	9.8	2.9	4.6
98	69	Do. 5¼pc Cv Pf '12	75xd	......	5¼%	–	9.3	–

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

WATER

For other Water Issues see London Recent Issues

OIL AND GAS

OIL AND GAS—Contd

Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
Occidental Pet. 20c.	£17⅛	−⅛	Q$2.50	–	8.3	–
Ohio Res.	28	−3	–	–	–	–
Oliver Res.	28	......	–	–	–	–
Pan Pacific Pet.	3	......	–	–	–	–
Petrofina SA	£205½	......	BFr400	2.5	3.1	8.0
Petrogen Petroleum	8½	......	♦	–	–	–
Pict. Pet. 5p	114	+2	–	–	–	–

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES—Contd

1989/90 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
180	120	Petaling SM1	160	......	z0180c	–	25.2
150	90	Sungei Besi SM1	125	......	–	–	–
90	90	Tanjong 15p	90	......	–	–	–

Miscellaneous

THIRD MARKET

1989/90 High	Low	Stock	Price	+ or −
32½	10	Do. Wrrnts	29	+1
10¼	4½	Wilton Group 1p	4¼	......

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred C Canadian E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988–89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989 K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989–90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p γ	85	−1
Craig & Rose £1 γ	830	......
Finlay Pkg 5p γ	56	−1
Holt (Jos) 25p γ	1340	−8
Arnotts	410	......
Carrol (P.J.) γ	170	−1
Hall (R. & H.)	195	+5
Heiton Hldgs. γ	100	......
IRG	206c	......
United Drug	168	−2

IRISH

Stock	Price	+ or −
Cap. 8½% Ln. 1991	£96¼	......
9pc Cap Ln 1996	£95⅞	......
Fin. 13% 97/02	£114¼	......

TRADITIONAL OPTIONS
3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	31
Lex Service	26
Lloyds Bank	21
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	69
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property	
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils	
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res.	12
Ultramar	28½

Mines	
Lonrho	23
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
High Income						
American Income	6	32.99	32.99	36.08	+0.4	[illegible]
Gilts & Fixed Int	0	105.80	105.80	112.20	+0.2	[illegible]
High Inc Equity	6	136.60	136.60	146.10	-0.3	[illegible]
Worldwide Bond	6	202.30	202.30	214.30	-0.3	[illegible]
Capital Growth						
American Growth	6	190.90	190.90	204.20	+1.20	1.07
Asian Pacific	6	125.40	127.90	136.10		[illegible]
Assets & Earnings	6	158.20	158.20	169.20	-0.6	2.70
Capital Reserve Acc	0	[illegible]	[illegible]	[illegible]	-0.11	[illegible]
Capital Reserve Inc	0	78.35	78.35	78.45	-0.06	7.65
Commodity & Energy	6	118.0	118.0	126.30	-1.1	1.50
Dividend & Growth	6	46.86	47.86	[illegible]		[illegible]
1992 Enterprise	6	62.63	62.63	66.99	-0.03	2.48
Euro Capital Acc	6	[illegible]	100.30	106.70	-0.4	[illegible]
Euro Capital Inc	6	95.91	95.63	102.00	-0.4	[illegible]
General	6	179.20	179.20	191.70	-0.5	[illegible]
International	6	62.39	63.22	67.20	-0.90	[illegible]
Japan	6	116.40	116.40	124.50	+2.00	0.00
[illegible]	6	92.32	92.32	[illegible]	-0.21	1.72
UK Growth Acc	6	183.40	183.40	196.20	-0.10	[illegible]
UK Growth Dist	6	121.30	121.30	129.8		[illegible]
US Emerging Cos	6	53.62	53.62	57.35	[illegible]	0.00
Income & Growth	6	[illegible]	[illegible]	[illegible]	-0.4	[illegible]
[illegible]	6	48.57	48.57	51.[illegible]	-0.17	[illegible]

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Amer Inc & Growth	5¼	32.33	32.33	34.51	+0.04	[illegible]
European	5¼	81.63	81.63	87.35	+0.12	[illegible]
European Income	5¼	78.23	78.35	83.84	[illegible]	[illegible]
Exempt	1	767.7	767.7	798.4	-3.30	[illegible]
Extra Income	5¼	44.06	44.[illegible]	47.03	-0.23	[illegible]
[illegible]	5¼	64.[illegible]	65.74	70.40	[illegible]	[illegible]
Fund Inv Tst	5	129.0	134.0	143.[illegible]	[illegible]	[illegible]

Beaumont Unit Tst Mgmt Ltd (1400)F
Harbrook Hse, Portman Sq, W1H 0JR 01-935 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Income Growth	1	196.5	196.5	203.61		[illegible]

Buckmaster Mangmt Co Ltd (1200)F
The Stock Exchange, London EC2P 2JT 01-588 2868

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Emerging Gwth	5	62.50	63.92	67.82	-0.09	3.01
(Accum Units)	5	64.72	66.18	70.22	+0.09	3.15
Fellowship Tst	5	63.[illegible]	[illegible]	[illegible]	-0.64	[illegible]
(Accum Units)	5	[illegible]	67.98	72.13	-0.67	[illegible]
General Inc	5	[illegible]	301.0	319.4	-1.0	3.37
(Accum Units)	5	510.7	515.8	547.3	-2.0	3.90
Income	5	161.3	162.9	172.8	-1.1	4.48
(Accum Units)	5	319.8	322.8	342.5	-2.3	4.40
International	5	116.2	116.2	122.9	+2.1	1.00
(Accum Units)	5	159.8	159.8	169.0	+1.5	1.00
Smaller Co's	5	107.8	109.3	116.0	-0.6	2.47
(Accum Units)	5	119.6	121.3	128.7	+0.7	2.47
Inv Portfolio	2¼	55.35	56.34	58.08	-0.07	3.09
(Accum Units)	2¼	57.46	58.48	60.29	-0.07	3.09
High Income Port	5	47.97	48.81	50.50	-0.04	[illegible]

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 01-480 7210

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
[illegible]	1¼	56.54	56.54	56.[illegible]	[illegible]	[illegible]

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 01-407 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
F & B Sel Intl Gwth	5¼	50.01	50.01	53.[illegible]	-0.35	[illegible]

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD 01-740 7070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
UK General Tst	5¼	54.9	54.[illegible]	59.76	+0.12	2.23
Global Tst	5¼	46.90	47.45	50.[illegible]	+0.21	[illegible]
Recovery Tst	5¼	47.57	48.[illegible]	52.12	+0.20	[illegible]

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn SE1 2QL 01-234 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Growth Fd Acc	5	114.4	116.[illegible]	122.3	+0.1	[illegible]

CIS Unit Managers Ltd (1000)F
PO Box 105, Manchester M60 0AH 061 837 [illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
UK Growth	6	104.1	105.8	112.6	-0.2	[illegible]
UK Income	6	104.4	106.3	113.1	-0.3	[illegible]

CS Fund Managers Limited (1000)H
125 High Holborn, London WC1V 6PY 01-242 1148

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
CS America F	5	62.44	62.44	66.42	+0.40	1.21
CS International F	5	61.17	61.17	65.07	+0.27	[illegible]

[illegible]

GUIDE TO UNIT TRUST PRICING

[illegible]

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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National Financial Management Corp PLC

72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Managed Cautionary	105.4	111.0	−0.1	–
Managed Growth	142.1	149.8	−0.1	–
Managed Opportunity	146.2	153.9	−0.1	–
NFMC Target Financial	104.1	109.6	−0.5	–
Pension Funds				
Managed Cautionary	110.1	115.9	....	–
Managed Growth	146.6	154.4	−0.2	–
Managed Opportunity	149.7	157.6	−0.3	–
NFMC Target Mngd Pens	1562.1	1644.4	+5.6	–

National Mutual Life

The Priory, Priory Pk, Hitchin SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or −	Yield Gross
Managed Fund	228.5	240.6	....	–
Managed Prospect Fund	191.7	201.8	....	–
Pens Managed	291.0	306.4	....	–
Pens UK Equity	348.2	366.6	....	–
Pens Overseas Equity	387.3	407.7	....	–
Pens Property	173.3	182.5	....	–
Pens Fixed Interest	178.9	188.4	....	–
Pens Index Linked	148.3	156.2	....	–
Pens Deposit	187.2	197.1	....	–
Harvester & P.R.P.				
UK Equity	152.0	160.1	....	–
Overseas Equity	138.5	145.8	....	–
Fixed Interest	122.2	128.7	....	–
Property	144.1	151.7	....	–
Index Linked	134.8	141.9	....	–
Deposit	129.8	136.7	....	–
Managed	146.5	154.3	....	–

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or −
Property Initial	169.5		....
Money Initial	78.1		....
Special Market Initial	141.7		+0.9
Japan Equity Initial	119.5		+1.4
North American Initial	84.4		+0.1
Pacific Initial	82.8		....
Technology Initial	104.0		−0.2
Nat. Resources Initial	57.4		−0.2
European Initial	102.0		+0.9
Residential Prop Init.	103.4		....
Swiss Equities Initial	36.5		+0.9
Hong Kong Initial	46.4		+0.2
UK High Inc Eq Init.	70.0		−0.1
Int Fixed Interest Init.	90.1		−0.1
Int Managed Init.	96.5		....
HIP Managed Init.	115.0		+0.2
Broker Funds			
High Performance	75.2	79.3	−0.1
Towerhill Mngd Fd Acc.	53.3	56.2	+0.3
YRA Executive Fd.	93.3	98.43	+0.3
£ Global Growth Acc.	130.5	137.6	....
£ High Income Money Acc.	111.4	117.7	....
IM Balanced	96.2		+0.1
H.F. Speculator Fd.	157.3		+0.2
PEP Acorn II	127.0		−0.4
PEP Cautionary	98.3		....
AAFS Int Man Fund	120.2		−0.4
Andrews-Green Inv Port.	106.1		....
Individual Pension Funds			
UK Equity Acc.	228.7	241.3	−0.3
UK Fixed Interest Acc.	178.1	184.8	+0.2

Royal Heritage Life Assurance Ltd — Contd.

Shield Assurance Ltd

40 Uxbridge Rd, W5 2BS 01-567 0700

Sun Alliance Group

Tunbridge Wells Equitable

Abbey Court, Tunbridge Wells 0892 515353

Sharp (Albert E.) & Co.

12 Newhall Street, Birmingham B3 3ER 021 200 2244

Sitkin Fund Managers Limited

Royal Bank of Canada Funds

National Financial Management Corp PLC

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

UK Life Assurance Co Ltd

South Yorks Investment Management

Tattersall Investment Mngt. Ltd

Towry Law & Co

Wesleyan Assurance Society

Windsor Life Assur. Co Ltd

Zurich Life Assurance Co Ltd

University Medical General Ltd.

J. D. Ward Financial Services Ltd

Westcourt Asset Management Ltd

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd

Gartmore Fund Managers International Ltd

John Govett (Channel Islands) Ltd

Hill Samuel Fund Mgrs (Jsy) Ltd

Lloyds Bank (CI) U/T Mgrs.

MIM Britannia International (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd

TSB Trust Funds (CI)

IoM (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs

Asset Global Funds Ltd

Barclays Intl Funds

CMI Fund Managers (IoM)

Gartmore Fund Managers (IoM)

Refuge Overseas

Sun Life Management (IoM) Ltd

LUXEMBOURG (SIB RECOGNISED)

DWS

Dresdnerbank Asset Management SA

Eagle Star Intl-Global Assets Fund

Fleming Group

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Foreign & Colonial Management Ltd
1 Laurence Pountney Hill, London EC4R 0BA 01-623 4680
Foreign & Colonial Portfolios Fund

		Bid Price	Offer Price	+ or −	Yield Gross
Am Smlr Cos Eqty(1-2)	$	10.80		----	−
Oriental Eqty(1-2)	$	11.94		----	−
European Eqty(1-3)	$	14.30		----	−
Nordic Equity	$	14.43		----	−
Amer Majors Equity	$	9.41		----	−
West Pacific Equity	$	10.80		----	−
Medit'r'n Equity	$	9.63		----	−
British Equity	$	9.94		----	−
US Dlr/$-Term Asset	$	9.56		----	8.75
Stg Short-Term Asset	£	10.22		----	12.50
Nth American Bond	$	10.06		----	8.6
Multi-Currency Bond	$	10.46		----	8.60
Sterling Bond	£	9.68		----	10.00
ECU Bond	Ecu	10.00		----	−

* Daily dealing

Gartmore Luxembourg SA
23 Rue des Bruyeres L-1274 Howald Lux 010 352 491841
Gartmore Pantheon Fund

		Bid Price	Offer Price	+ or −	Yield Gross
Nth Amer Equity	$	1.97		+0.01	−
British Equity	£	1.01		----	−
Nordic Equity	SKr	10.43		+0.09	−
Cont'l Europe Eqty	DM	16.86		-0.02	−
Japan Equity	Y	515.00		-2.00	−
Pacific Equity	Y	362.00		----	−
Developing Mkts	$	2.00		----	−
Natural Resources	$	2.06		+0.02	−
W'wide Recovery	$	1.47		----	−
Intl Equity	$	1.38		-0.01	−
Dollar Bond	$	1.97		+0.01	−
Sterling Bond	£	1.00		----	−
European Currency Bond	Ecu	1.48		----	7.38
Intl Curr Bond	$	1.99		-0.01	−
Dollar Reserve	$	2.00		----	−
Sterling Reserve	£	1.03		+0.01	−
Deutschmark Reserve	DM	5.00		----	−
Yen Reserve	Y	501.00		+1.00	−

Henderson Management SA
21-25 Allee Scheffer L-2520 Luxembourg
01-638 5757 or 010-352 462232
Henderson Horizon Fund

		Bid Price	Offer Price	+ or −	Yield Gross
Japanese Portfolio	$	15.08	15.93	+0.28	−
Japan Smlr Cos P'flio	$	21.94	23.18	-0.19	−
Pacific Portfolio	$	12.31	13.02	+0.02	−
Nth American P'folio	$	4.63	4.91	+0.04	−

NM Financial Mgmt Intl Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Magd. Currency	£6.603	6.937	+0.014	6.01

NM Portfolio Selection Fund Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Conscience	£2.004	1.153	+0.001	1.30
Far East Gwth	$1.426	1.516	+0.010	0.00
Smaller Co's	£1.005	1.069	+0.001	1.17
Special Sits	£2.014	1.078	+0.003	0.74
Intl Bond	$0.891	0.947	-0.001	5.56
American Fund	$1.942	2.065	+0.009	2.26
American Smaller Cos	$1.230	1.308	+0.014	0.00
Australian Fund	£1.757	1.869	+0.005	1.68
Britain Fund	£1.551	1.649	+0.002	5.11
European Fund	£2.198	2.338	-0.005	0.87
Gold Fund	£0.810	0.861	-0.009	0.00
Hong Kong Fund	£1.567	1.666	-0.003	5.42
International Fund	£1.480	1.574	+0.011	0.33
Japanese Fund	£3.182	3.385	+0.041	0.00
Japan Smaller Cos	£5.279	5.615	+0.074	0.00
Singapore & Malaysian	£1.504	1.599	+0.002	0.00
Dollar Fixed Interest	$0.998	1.061	+0.002	6.86
Sterling Fixed Int	£0.900	0.957	+0.003	10.72
Deutschemark Currency		DM5.029	----	2.36
Dollar Currency		$0.999	----	4.91
Sterling Currency		£1.023	----	10.45
Yen Currency		Y200.4	----	1.40
Managed Currency	£1.001	1.064	----	6.94

Nikko Capital Mngt (Europe) Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Japan Index Fund	Y4,055	4,095	----	−
New Generation Fd. S.	$22.33	22.59	----	−
Japan Index Alpha	Y12,577	12,768	----	−
Jap Sector Rotation	Y10,375	10,523	----	−

Strongbold Asset Mngmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Tech and Comm	£11.31	12.00	----	−
Pacific Basin Fd	$114.03	120.99	----	−
Western European	$19.21	20.47	----	−

Tyndall International (Guernsey) Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Capital Defender	91.25	1.39	----	−
HI Yield Bond	62.9	66.1	+0.1	15.13
Internat. Spec. Sits	53.7	56.5	----	−
Marausoch Fd	92.6	97.4	+0.2	−

U.S. Treasury Securities Fund Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
½ Short Term Shares	$690.30		----	−
Fixed Income Shares	$809.65		----	−

Wellington Fd Mngrs (Guernsey) Ltd

	Bid Price	Offer Price	+ or −	Yield Gross
Intnl Growth Fd	$13.06	14.55	----	−

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

Money Market Trust Funds

Money Market Bank Accounts

Sterling Bank & Trust Ltd
Abbey Gdns, 6 Abbey St, Reading RG1 3BA 0734 592543

HIDA £2,500+	13.70	10.72	14.68	6-mth

TSB Bank plc (England & Wales)
100 Lower Thames St, London EC3R 6AQ 01-623 6000

HICA £1-£499	7.00	5.50	7.33	Yearly
£500-£1,999	9.50	7.50	10.00	Yearly
£2,000-£9,999	11.50	9.00	12.00	Yearly
£10,000-£24,999	11.75	9.30	12.40	Yearly
£25,000+	12.25	9.60	12.80	Yearly

Tyndall & Co Ltd
29-33 Princess Victoria St, Bristol 0272 744720

Demand Acc	13.87	10.85	15.07	Qtr
HIMA	13.62	10.66	14.79	Qtr
HIMA £100,000+	13.87	10.85	15.07	Qtr
Client Plus Acc	13.37	10.46	14.51	Qtr

J. Henry Schroder Wagg & Co Ltd
Bitton Cnr, Northarbour Rd, Portsm'th 0705 372222

Special Acc	13.755	10.76	15.08	Mthly
£10,000 and above	14.00	10.96	15.37	Mthly

Western Trust High Interest Cheque Acc
The Moneycentre, Plymouth PL1 1SE 0752 224141

£25,000+	14.50	11.35	15.78	Qtr
£5,000-£24,999	14.25	11.15	15.50	Qtr
£1,000-£4,999	14.00	10.96	15.22	Qtr

Wimbledon & South West Finance Co Ltd
114 Newgate St, London EC1 7AE 01-606 9485

High Int Cheque Acc	14.50	11.35	15.79	Qtr

NOTES—Gross rate to those exempt from composite rate of tax. Net: Actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int. Cr: frequency interest credited.

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. ● Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase adj ex dividend. (**) Funds not SIB recognised.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark continues to slide

THE DOLLAR and sterling improved against the D-Mark in nervous foreign exchange trading yesterday. Economic fundamentals are proving of secondary importance as the market looks nervously at the political events in Eastern Europe and the turmoil in the Soviet Union.

Fears that events in Azerbaijan could have repercussions through the Soviet Union, with possible consequences for liberalisation moves in Eastern Europe, weighed heavily on the D-Mark. The opening of the Berlin Wall has now been overshadowed by later events, and yesterday there were rumours about unrest in East Germany.

As speculative funds continue to look towards the dollar as a safe haven, at a time of violence and uncertainty, the US currency moved up to test resistance against the D-Mark at DM1.7220. This was the closing level in London, compared with DM1.7045 on Friday.

On Bank of England figures the dollar's index rose to 68.0 from 67.8. At the London close the US currency had also climbed to SFr1.5315 from SFr1.5140; to FFr5.8525 from FFr5.7900; and to Y146.40 from Y145.60.

Earlier in Tokyo the dollar touched a peak of Y146.55, but came back to Y146.40 at the close on profit taking. The Bank of Japan did not support the yen, but the threat of intervention helped to cap the dollar's rise.

Political events depressing the D-Mark yesterday also helped support sterling. Last week's UK economic news has not had any great impact on the pound, and chart-based projections suggest there may be an opportunity for some upward correction.

Sterling rose to DM2.8225 from DM2.8075 and, according to technical analysts, could make an attack on DM2.85 in the near future, possibly taking the currency up to DM2.88. However, this is seen as a short term move, with the overall trend remaining weak. It also fails to take account of Friday's UK trade figures for December, which could have a strong influence on the near-term direction of the pound.

Sterling lost ¼ cent to $1.6395 against a very strong dollar, but improved to SFr2.5100 from SFr2.4925; to FFr9.5950 from FFr9.5350; and to Y240.00 from Y239.75. According to the Bank of England the pound's index rose 0.3 to 88.2.

Members of the European Monetary System traded quietly, with the decline of the D-Mark keeping pressure off the weaker currencies. The French franc touched a two-month high and the lira rose to a one-month peak against the D-Mark. The Bank of Italy bought D-Marks at the Milan fixing.

The relative strength of the guilder in the EMS encouraged the Dutch Central Bank to cut the rate at which it provides short term liquidity on the Amsterdam money market, by 0.1 per cent to 8.3 per cent. The funds were provided for two days.

£ IN NEW YORK

Jan 22	Latest	Previous Close
£ Spot	1.6390-1.6400	1.6450-1.6460
1 month	0.99-0.97pm	0.93-0.92pm
3 months	2.69-2.66pm	2.66-2.63pm
12 months	9.32-9.22pm	9.30-9.20pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.22	Previous
8.30 am	88.2	[illegible]
9.00 am	88.3	[illegible]
10.00 am	88.3	88.3
11.00 am	88.4	88.2
Noon	88.2	[illegible]
1.00 pm	88.2	88.1
2.00 pm	88.1	87.9
3.00 pm	88.2	88.0
4.00 pm	88.2	88.1

CURRENCY RATES

Jan.22	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.797061	1.38253
U.S Dollar	7	1.30989	1.18673
Canadian $	12.46	1.54475	1.40070
Austrian Sch.	6½	15.6051	14.9275
Belgian Franc	10¼	46.9759	42.6453
Danish Krone	10½	8.69767	7.88821
Deutsche Mark	6.00	2.24538	2.03827
Neth.Guilder	7.00	2.52874	2.29668
French Franc	10¼	7.63860	6.92755
Italian Lira	13½	1671.67	1516.33
Japanese Yen	4¼	191.571	173.465
Norway Krone	8	8.63218	7.85006
Spanish Peseta	-	145.927	131.870
Swedish Krona	9½	9.15210	7.40284
Swiss Franc	6.00	1.99758	1.81214
Greek Drach.	20½	N/A	189.782
Irish Punt	-	N/A	0.767963

* Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for Jan.19

CURRENCY MOVEMENTS

Jan.22	Bank of England Index	Morgan Guaranty Changes %
Sterling	88.2	[illegible]
U.S. Dollar	68.0	[illegible]
Canadian Dollar	103.3	[illegible]
Austrian Schilling	109.7	[illegible]
Belgian Franc	104.6	[illegible]
Danish Kroner	108.5	[illegible]
Deutsche Mark	118.3	[illegible]
Swiss Franc	108.4	[illegible]
Guilder	114.3	[illegible]
French Franc	103.3	[illegible]
Lira	99.9	[illegible]
Yen	129.9	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jan 19.

OTHER CURRENCIES

Jan.22	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af(Cm)	[illegible]	[illegible]
S. Af(Fn)	5.5545-5.6505	3.3900-3.4485
Taiwan	42.45-42.55	25.90-25.95
U.A.E.	6.0165-6.0220	3.6720-3.6730

*Selling rate

EURO-CURRENCY INTEREST RATES

Jan 22	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15-14⅞	15⅛-14½	15⅛-15⅛	15⅛-15⅛	15¼-15⅛	15¼-15⅛
US Dollar	8⅛-8⅞	8⅛-8⅞	8⅛-8⅞	8⅛-8⅞	8⅛-8⅞	8⅛-8⅞
Can. Dollar	12-11¾	12⅛-11¾	12⅛-11⅞	12⅛-11⅞	11⅞-11⅞	11⅞-11⅞
D. Guilder	8¼-8¼	8¼-8¼	8¼-8¼	8⅞-8⅞	8¼-8¼	8⅞-8⅞
Sw. Franc	9¼-9	9½-9¼	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞	9⅞-9⅞
Deutschmark	7¾-7½	7¾-7⅞	8-7⅞	8⅛-8⅛	8⅞-8⅛	8⅞-8⅛
Fr. Franc	10¼-10⅛	10¼-10⅛	10⅞-10¼	11⅛-11⅛	11⅛-11⅛	11⅛-11⅛
Italian Lira	13-11	12¼-11¼	12½-12	12⅞-12¼	12⅞-12½	13⅛-13
B. Fr (Fin)	10½-10¼	10⅞-10⅛	10½-10⅛	10⅞-10⅛	10¼-10⅛	10¼-10⅛
B. Fr (Con)	10½-10¼	10⅞-10¼	10⅛-10⅛	10⅛-10½	10¼-10½	10⅛-10½
Yen	6½-6⅛	6⅞-6⅞	6⅛-6⅛	7⅛-7	7⅛-7⅛	7⅛-7⅛
D Krone	12⅞-12⅛	12¼-12⅛	12⅞-12⅛	12⅛-11⅞	11⅞-11⅞	11⅞-11⅞
Asian $Sing	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞	8⅞-8⅞

Long term Eurodollars: two years 8⅞-8¾ per cent; three years 8⅞-8⅞ per cent; four years 9⅛-8⅞ per cent; five years 9½-9 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Jan.22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6365-1.6430	1.6390-1.6400	0.99-0.97cpm	7.17	2.69-2.66pm	6.53
Canada	1.9335-1.9410	1.9370-1.9380	0.49-0.41cpm	2.80	1.49-1.32pm	2.89
Netherlands	3.17½-3.18½	3.17½-3.18½	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	58.80-59.15	58.95-59.05	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	10.89½-10.94	10.91½-10.92½	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	1.0600-1.0700	1.0645-1.0655	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	2.81½-2.83	2.81¾-2.82¾	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	246.80-248.25	247.00-248.00	[illegible]	[illegible]	[illegible]	[illegible]
Spain	182.10-182.90	182.10-182.40	[illegible]	[illegible]	[illegible]	[illegible]
Italy	2096-2102½	2100-2101	[illegible]	[illegible]	[illegible]	[illegible]
Norway	10.80½-10.85½	10.83½-10.84½	[illegible]	[illegible]	[illegible]	[illegible]
France	9.57½-9.60½	9.59-9.60	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	10.20¾-10.26	10.24½-10.25½	[illegible]	[illegible]	[illegible]	[illegible]
Japan	239¼-240½	239½-240½	[illegible]	[illegible]	[illegible]	[illegible]
Austria	19.80-19.88	19.83-19.86	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	2.50¼-2.51½	2.50½-2.51½	[illegible]	[illegible]	[illegible]	[illegible]
ECU	1.3825-1.3840	1.3830-1.3840	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 58.90-59.00 Six-month forward dollar 5.17-5.12cpm 12 month 9.32-9.22cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.22	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6365-1.6430	1.6390-1.6400	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	1.5380-1.5455	1.5395-1.5405	[illegible]	[illegible]	[illegible]	[illegible]
Canada	1.1785-1.1840	1.1820-1.1830	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	1.9330-1.9435	1.9395-1.9405	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	35.90-36.30	35.95-36.05	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	6.63¾-6.66½	6.65¾-6.66¼	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	1.7155-1.7245	1.7215-1.7225	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	151.05-151.35	151.15-151.25	[illegible]	[illegible]	[illegible]	[illegible]
Spain	111.05-111.65	111.35-111.45	[illegible]	[illegible]	[illegible]	[illegible]
Italy	1275½-1282¼	1281-1281½	[illegible]	[illegible]	[illegible]	[illegible]
Norway	6.59¾-6.61½	6.61-6.61½	[illegible]	[illegible]	[illegible]	[illegible]
France	5.83-5.86¼	5.85-5.85½	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	6.22½-6.25½	6.25-6.25½	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.90-36.00.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.22	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.6453	+1.13	+1.12	±1.5388
Danish Krone	7.79845	7.88821	+1.15	+1.14	±1.6403
German D-Mark	2.04446	2.03821	-0.31	-0.31	±1.1062
French Franc	6.85684	6.92755	+1.03	+1.03	±1.3659
Dutch Guilder	2.30358	2.29668	-0.30	-0.30	±1.5222
Irish Punt	0.763159	0.767963	+0.63	+0.62	±1.6688
Italian Lira	1529.70	1516.33	-0.87	-0.84	±4.1460
Spanish Peseta	133.804	131.870	-1.45	-1.45	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Jan.22	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.695	2.778	4.783	406.8	16.26	4.25	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000. French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE £/$ OPTIONS [illegible]

LIFFE EUROSTERLING OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8% [illegible]

U.S. TREASURY BILLS (IMM) [illegible]

SWISS FRANC (IMM) [illegible]

JAPANESE YEN (IMM) [illegible]

DEUTSCHE MARK (IMM) [illegible]

THREE-MONTH EURODOLLAR (IMM) [illegible]

STANDARD & POORS 500 INDEX [illegible]

POUND-$ (FOREIGN EXCHANGE) [illegible]

STERLING (IMM) [illegible]

PHILADELPHIA SE £/$ OPTIONS [illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT [illegible]

US TREASURY BONDS 8% [illegible]

6% NOTIONAL GERMAN GOVT. BOND [illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND [illegible]

THREE MONTH STERLING [illegible]

THREE MONTH EURODOLLAR [illegible]

THREE MONTH EUROMARK [illegible]

THREE MONTH ECU [illegible]

FT-SE 100 INDEX [illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 40,723

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Longer rates ease

INTEREST RATES were slightly lower at the longer end of the London money market yesterday, but three-month interbank was unchanged at 15¼-15⅛ per cent. One-year money eased to 15⅛-15⅛ from 15¼-15⅛ per cent.

An annualised rise of 5.6 per cent in UK average unit wage costs in the three months to November was lower than generally expected, but had little impact. There was also little reaction to news that UK industrial production fell a seasonally adjusted 0.5 per cent in November, against a 0.9 per cent increase in October. A fall of 0.1 per cent had been widely forecast.

UK clearing bank base lending rate 15 per cent from October 5

On Liffe short sterling futures opened firmer at 84.88 for March delivery, and touched a peak of 84.92, but fell back after failing to attack resistance at 85.05. The contract weakened to close at 84.81, against 84.85 on Friday.

The Bank of England initially forecast a day-to-day credit shortage of £400m, but revised this to £500m at noon. Total help of £428m was given.

Before lunch the authorities bought £116m bank bills in band 2 at 14¾ per cent. In the afternoon another £57m bills were purchased, by way of £9m bank bills in band 1 at 14⅞ per cent and £48m bank bills in band 2 at 14¾ per cent. Late assistance of around £255m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills, drained £997m, with the unwinding of bill repurchase agreements absorbing £192m, and bank balances below target £45m. These outweighed Exchequer transactions adding £320m to liquidity and a fall in the note circulation of £500m.

In Frankfurt call money edged up to 7.80 per cent from 7.75 as banks bid for funds to meet tax payments. Some banks paid near to the 8.0 per cent Lombard rate, and the drain on liquidity has been reflected in a fall of reserve holdings at the Bundesbank, after being at high levels at the beginning of the month.

The Bundesbank's securities repurchase agreement tender this week is expected to inject more than the DM15.2bn leaving the market on Wednesday as an earlier pact expires. On Thursday banks reserve holdings fell to DM52.9bn, from DM59.2bn on Wednesday. The average for the first 18 days of January was DM63.9bn, against an expected requirement for the month of about DM58.0bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.22) 3 months US dollars: bid 8⅛, offer 8¼. 6 months US Dollars: bid 8⅞, offer 8⅞.

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime: Prime rate 10; Broker loan rate [illegible]; Fed.funds [illegible]; Fed.funds at intervention -. Treasury Bills and Bonds: One month 7.62; Two month [illegible]; Three month [illegible]; Six month [illegible]; One year [illegible]; Two year 8.19; Three year [illegible]; Four year [illegible]; Five year [illegible]; 7-year [illegible]; 10-year [illegible]; 30-year 8.30.

Jan.22	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.80-8.00	7.90-8.00	8.10-8.20	8.05-8.25	8.30-8.45	8.00
Paris	10⅛-10⅛	10⅛-10⅛	-	11-11⅛	-	9.50
Zurich	8⅞-9⅛	9⅛-9⅛	-	9⅛-9⅛	-	-
Amsterdam	8.10-8.20	8.70-8.80	-	8.80-8.90	-	-
Tokyo	6⅞-6⅞	6⅞-6⅞	-	6⅞-7	-	-
Milan	12⅞-12⅞	12⅞-13⅛	-	12⅞-13⅛	-	-
Brussels	9.40	10⅛-10⅛	-	10⅛-10⅛	-	-
Dublin	11⅞-11⅞	11⅞-12	11⅞-12	11⅞-12⅛	11⅞-12	-

LONDON MONEY RATES

Jan 22	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15½	15	15⅛	15¼	15¼	15⅛
Interbank Bid	14¾	14⅞	15⅛	15⅛	15⅛	15⅛
Sterling CDs	-	-	15⅛	15⅛	15⅛	14⅞
Local Authority Deps.	14⅞	14⅞	15⅛	15⅛	15⅛	15
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15	14⅞	14⅞	14⅞	-	-
Company Deposits	-	-	15⅛	15⅛	15¼	15⅛
Finance House Deposits	-	-	15⅛	15⅛	15⅛	15⅛
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	15⅛	14⅞	-
Dollar CDs	-	-	8.25	8.25	8.30	8.45
SDR Linked Dep. Offer	-	-	8⅞	9⅛	9⅛	9⅛
SDR Linked Dep. Bid	-	-	8⅞	9	9⅛	9⅛
ECU Linked Dep. Offer	-	-	10⅞	11⅛	11⅛	11⅛
ECU Linked Dep. Bid	-	-	10⅞	11⅛	11⅛	11⅛

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills: Average tender rate of discount 14.5684 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December,29 ,1989. Agreed rates for period January,24 1990 to February,25 , 1990, Scheme I: 15.90 p.c., Schemes II & III: 16.38 p.c. Reference rate for period Dec.1,1989 to December,29 , 1989, Scheme IV&V, 15.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from January 1 , 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 , Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

[illegible]

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.9% Sanwise 8.5%. Top Tier-£10,000+ Instant access 12.8% & Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

PERSONAL

COMPANY NOTICES

AIR PRODUCTS AND CHEMICALS, INC.

£50,000,000

9½% Notes due 1997

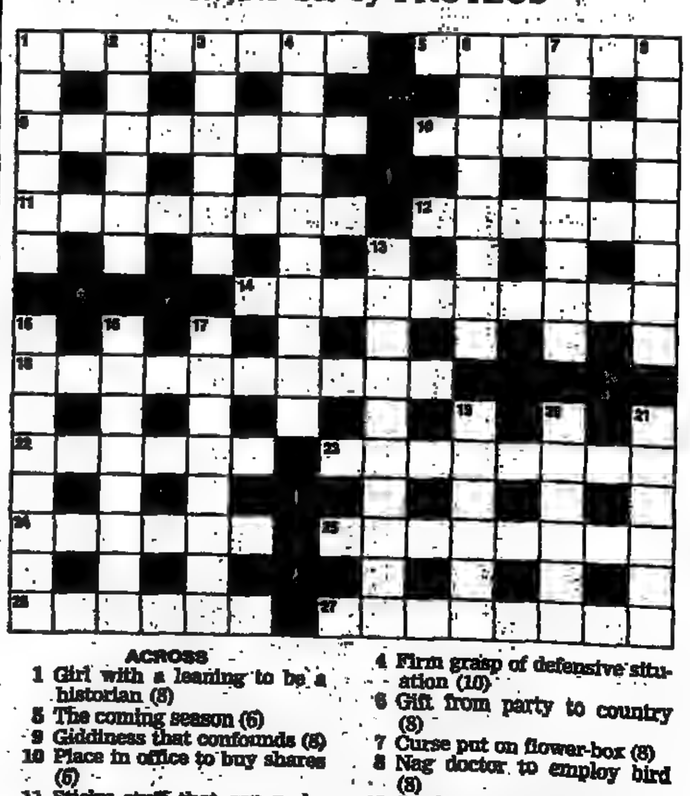
Copies of the Air Products and Chemicals, Inc. Annual Report and Consolidated Financial Statements for the year ended 30 September, 1989 are available from the ground floor reception desk of Baring Brothers & Co., Limited at the following address:

Baring Brothers & Co., Limited
8 Bishopsgate, London EC2N 4AE

JOTTER PAD

CROSSWORD

No.7,145 Set by PROTEUS



ACROSS

1 Girl with a leaning to be a historian (8)
5 The coming season (6)
9 Giddiness that confounds (8)
10 Place in office to buy shares (6)
11 Sticky stuff that can make one elegant (8)
12 Point in new store where hi-fi may be found (6)
14 Literary family torn asunder in Boeotian capital (3,7)
18 Strongly in favour of nothing in play (3,3,4)
22 Form of tenure secured by return of (for example) a lettuce (6)
23 Impediment to turning out best coal (8)
24 Unfashionable group in the beginning (6)
25 Living quarters for companies engaged in desert travel (8)
26 Canopy for queen after trial (6)
27 Follower man daren't go about with? (8)

DOWN

1 When to subscribe to transfer (6)
2 Almost a quarter before time (6)
3 Support at tea-dance for papal representative (6)
4 Firm grasp of defensive situation (10)
6 Gift from party to country (8)
7 Curse put on flower-box (8)
8 Nag doctor to employ bird (8)
13 Straightforward yet beyond committee's grasp? (5,5)
15 Permit to circulate wine (8)
16 Positions in which a model makes reconciliation (8)
17 Match put to rocket by playwright (8)
19 Way roue has to strip (6)
20 What fiddler does in predicament (6)
21 Group in kitchen cabinet to annoy Tory leader (3-3)

Solution to Puzzle No.7,144

A	D	A	Y	A	T	T	H	E		R	A	C	E	S
L		D		N			E		A		O		H		T
L	E	A	N	T		H	A	R	M	O	N	I	C	A
I		Y		A		E		M		D		N		R
N	A	S	A	L	O	R	G	A	N		T	A	R	T
		W		K		A		R		S				L
P	T	O	M	A	I	N		K	U	W	A	I	T	I
A		R		L						E		N		N
Y	A	K	K	I	N	G		S	E	E	M	I	N	G
M				S		O		C		P		T		
A	C	N	E		U	N	D	E	R	S	K	I	R	T
S		E		I		D		P		T		A		A
T	R	A	N	S	P	O	R	T		A	T	L	A	S
E		R		L		L		I		K		L		T
R	I	S	K	S		A	R	C	H	E	T	Y	P	E

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · FRANCE (continued) · GERMANY · GERMANY (continued) · ITALY · ITALY (continued) · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · MALAYSIA · SINGAPORE

CANADA

TORONTO

2pm prices January 22

INDICES

NEW YORK DOW JONES

	Jan 19	Jan 18	Jan 17	Jan 16	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	2677.90	2666.38	2659.13	2692.62	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	92.05	92.03	92.34	92.49	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1153.98	1142.43	1146.87	1156.47	1532.01 (5/9/89)	999.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	221.77	222.15	221.99	221.52	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 2696.89 (2678.11) Low 2657.85 (2625.85)

STANDARD AND POOR'S

	Jan 19	Jan 18	Jan 17	Jan 16	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	339.15	338.19	337.4	340.75	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	389.97	388.82	387.99	391.83	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	29.51	29.58	29.59	29.88	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	187.56	187.07	186.86	188.37	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	366.08	366.17	368.06	368.41	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	440.88	437.52	438.68	440.16	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan 12	Jan 5	Dec 29	year ago (approx.)
Dow Industrial Div. Yield	3.96	3.84	3.87	3.60

	Jan 17	Jan 10	Jan 3	year ago (approx.)
S & P Industrial div. yield	3.03	2.94	2.86	3.21
S & P Indl. P/E ratio	14.39	14.80	15.19	13.23

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Bank of N. Eng.	6,844,300	2¾	− 1½
Citicorp	3,791,600	26	− ½
Am T & T	2,961,100	42¼	− ¼
Rorer Gp	2,943,900	63⅞	+ 1
Digital Equip	2,372,000	77¾	− 4¼
Nat. Intergroup	1,957,300	16½	+ 1⅝
Gen Electric	1,924,700	64⅞	+ 1¼
Philip Morris	1,903,100	39⅝	− ¼
Exxon	1,876,600	48⅝	+ ⅜
Aristech Chem	1,691,700	25⅞	+ ⅝

TRADING ACTIVITY

† Volume (Millions)	Jan 19	Jan 18	Jan 17
New York	185.590	178.590	170.470
Amex	11.220	10.6685	11.788
NASDAQ	152.166	136.325	139.152
Issues Traded	1,949	1,967	1,964
Rises	816	587	633
Falls	651	879	867
Unchanged	482	501	464
New Highs	18	14	14
New Lows	57	81	45

CANADA

TORONTO	Jan 19	Jan 18	Jan 17	Jan 16	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3115.73	3143.11	3137.04	3220.74	3919.2 (1/9/89)	3137.0 (17/1/89)
Composite	3865.07	3857.39	3872.27	3899.98	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	1965.30	1958.21	1959.90	1974.08	2069.68 (10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan 22	Jan 19	Jan 18	Jan 17	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1672.3	1673.9	1677.5	1682.8	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	832.8	842.2	848.9	857.0	875.1 (23/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	556.49	555.97	555.47	560.35	581.75 (12/1/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6440.65	6449.04	6456.85	6490.45	6805.23 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	369.28	369.38	374.24	374.09	374.24 (18/1/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	672.8	640.0	632.5	625.5	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	534.3	535.1	535.5	533.5	561.6 (11/10/89)	427.9 (4/1/89)
CAC 40 (31/12/87)	1915.82	1924.27	1934.72	1953.14	2006.42 (4/1/90)	1525.38 (27/2/89)
GERMANY						
FAZ Aktien (31/12/58)	747.19	743.78	744.13	757.82	776.71 (12/1/90)	536.78 (27/2/89)
Commerzbank (1/12/53)	2198.0	2188.6	2186.8	2232.3	2291.3 (3/1/90)	1595.7 (27/2/89)
DAX (30/12/87)	1779.30	1773.56	1779.17	1802.48	1869.66 (3/1/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2771.65	2776.29	2771.67	2754.84	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1893.10	1881.16	1855.89	1859.02	1893.10 (22/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	701.82	697.38	696.37	695.88	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	37257.01	36836.54	36729.46	36821.14	38915.87 (29/12/89)	30183.79 (3/1/89)
Tokyo SE (Topix) (4/1/68)	2735.85	2701.31	2705.41	2719.48	2884.80 (18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	4074.60	4065.23	4078.19	4081.93	4081.93 (17/1/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite (4/4/86)	572.12	574.72	574.09	574.32	592.90 (11/1/90)	357.31 (3/1/89)
NETHERLANDS						
CBS Tol.Rtn.Gen.(End 1983)	252.2	252.7	250.2	252.3	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	193.5	193.8	191.9	193.5	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	752.44	743.72	737.30	735.85	752.44 (22/1/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1079.88	1080.35	1059.25	1057.76	1396.26 (20/11/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore (2/4/75)	423.73	421.89	422.78	422.57	433.24 (11/1/90)	300.07 (4/1/89)
SOUTH AFRICA						
JSE Gold (28/9/78)	2061.0	2080.0	2162.0	2184.0	2254.0 (12/12/89)	1791.0 (15/2/89)
JSE Industrial (28/9/78)	2928.0	2945.0	2989.0	2996.0	3023.0 (15/1/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	898.89	868.20†	874.81	874.41	1007.90 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	285.92	286.13	286.49	288.03	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P (31/12/56)	4345.10	4380.4	4464.4	4494.1	4660.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	762.2	763.4	759.6	(u)	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	11769.32	11422.51	11153.05	10835.67	11769.32 (22/1/90)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	880.41	868.67	862.97	864.96	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	539.6	539.7	543.6	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Jan. 20: Taiwan Weighted Price: (u) Korea Comp Ex. 872.97

*& Subject to official recalculation. † Correction.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday January 22 1990

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	8.2m	725	+18
Toshiba	6.8m	1,180	+20
Nihon Nosan	6.5m	1,030	+10
Kawasaki Steel	6.5m	790	+30
Sumitomo Mtl	6.9m	780	+10
MHI	4.3m	1,120	+40
Nippon Mining	4.1m	1,080	-
NKK	4.0m	729	+18
Nippon Express	3.7m	1,570	+10
Daiwa Lease	3.6m	1,680	+10

3pm prices January 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	24¾	AAR	.48	1.5	19	223	32⅝	31⅝	31⅝	–1
9¾	8½	ACM n	1.01	11.		117	9⅝	9½	9½	
11⅝	10½	ACMIn	1.28	11.		279	11¼	11⅛	11⅛	–⅛
9⅞	8	ACM M	n1.01	11.		181	9⅛	8⅞	8⅞	–⅛
12⅛	12	ACMMU				148	12⅛	12	12	
11½	10	ACM Sc	1.26	11.		z708	11¼	11⅛	11⅛	+⅛
9⅝	8⅛	ACMSp	1.01	11.		724	9⅛	9⅛	9⅛	–⅛
19⅝	11½	AL Lab	.16	.9	18	73	18⅝	17⅝	17⅝	–⅝
6⅛	3⅞	AM Intl			8	942	3⅞	d 3¾	3¾	–⅛
23½	18⅝	AM In pf	2	11.		25	18⅝	18¼	18¼	–¼
107¼	52⅝	AMR			6	4528	56½	55½	55½	–¼
27	25	ANR pf	2.67	10.		21	26	25¾	26	
24⅞	23⅛	ANR pf	2.12	8.7		5	24½	24½	24½	+½
5⅝	3⅛	ARX				33	3⅝	3¼	3⅝	
63	39	ASA	3a	4.9		1633	61½	59¼	61½	+1½
70⅞	48¼	AbtLab	1.40	2.1	17	1698	68	67	67⅛	–⅞
18¼	11¼	Abitib g	.50			34	11⅞	11⅝	11⅞	+⅛
13	9¼	AcmeC	.40	3.8	13	39	10¾	10½	10½	–⅛
9¾	6	AcmeE	.32	3.6	12	12	9	9	9	–⅛
38½	22	Acusn			20	271	31⅛	30⅞	30⅞	–¼
18½	12⅞	AdaEx	2.08e	13.		67	15½	15¾	15⅞	+⅛
15⅛	8⅞	Adobe				149	13	12⅝	12⅝	
20¼	18½	Adob pf	1.84	9.6		5	19⅛	19⅛	19⅛	–⅛
21⅝	19⅞	Adob pf	2.40	11.		50	21	21	21	–⅛
10½	7⅛	AMD			17	1592	7¼	7⅛	7⅛	+⅛
35	28½	AMD pf	3	10.		8	29½	29⅜	29½	–⅛
10¼	6⅝	Advest	.16	2.4	9	66	7	6¾	6⅝	–⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	12½	QuRelly	.28a	2.1	12	7	13⅝	13½	13½	− ⅛
		– R – R – R –								
12	9⅞	RAC	ln1.20a	11.		69	10⅝	10½	10⅝	+ ⅛
7	1⅞	RAC	.53e	17.		116	3¼	3⅛	3⅛	− ⅛
10¼	7⅞	RLC	.20b	2.5	8	79	8⅝	8⅛	8⅛	− ¼
9½	6⅞	RLI Cp	.40	4.5	8	1	8⅞	8⅞	8⅞	
19¾	11¼	ROC Fd	.38e	2.7		1646	14⅛	14⅛	14⅛	+ ⅛
8¾	5¼	RPC			17	10	6⅛	6⅛	6⅛	− ⅛
6½	5⅜	RPS	.81e	14.	6	21	5⅞	5¾	5¾	
85⅝	40⅞	Racal	.26e	.4	40	964	61	59¾	60	+ ½
5⅝	2½	Radice n				28	3⅛	3	3	− ⅛
101½	78⅝	RalsPur	1.85	2.3	15	944	82¼	80⅞	81	−1⅜
6⅝	5⅛	RangrO			29	441	6	6⅞	6	
39¼	29¼	Raycm	.32	1.0	31	397	31⅞	31⅞	31½	− ⅛
19⅛	19½	RJamF	.24	1.6	7	1	15⅝	15⅝	15⅝	− ⅛
27	18	Rayonr	2.80	13.	6	71	21	20⅞	20⅞	− ⅛
3⅝	½	vjRayte				7	2⅛	2⅛	2⅛	− ⅛
85	64⅞	Raythn	2.20	3.3	8	1146	68½	67	67⅛	− ⅞
5	15-16	RdgB n				57	2⅜	2⅝	2⅞	
17	14¾	REIT	1.38	9.4	10	58	14⅞	14⅞	14⅞	− ⅛
16⅛	13½	RltRef	1.72	12.	8	5	14⅞	14⅞	14⅞	
12¾	5½	RacnEq				322	6⅞	6⅛	6⅛	− ⅛
20	11½	Reebok	.30	1.8	12	7340	17⅞	15⅞	16	−1⅞
16	9⅝	Recce	.15e	1.5	49	3	9⅞	9⅞	9⅞	− ⅛
½	7-64	Regal				490	11-32	9-32	5-16	−1-32
9¼	6¼	Regfin	.20e	3.5		517	8½	8⅞	8⅞	− ⅛
15⅝	12½	ReichTg	1.78a	13.	9	4	13⅞	13⅞	13⅞	− ⅛
8⅝	4⅞	RelGrp	.32	5.6		78	6	5⅞	5⅞	− ⅛
24⅞	16¼	Repsol	n.27e	1.2		751	22	21¼	21¼	− ⅛
5¼	4⅞	RepGyp	.20	3.8	24	12	5⅛	5⅛	5⅛	
52⅞	42¾	RepNY	1.32	2.7	1203	341	48⅞	48	48⅛	− ⅛
15⅞	2⅞	Rexene				2	536	3⅛	2⅞	2⅞	− ⅛
33⅞	20⅞	RayRey	.80	3.9	8	112	21	d20⅞	20⅞	− ⅛
62⅞	49	RayMt	1.80	3.6	6	1788	52⅞	50⅞	50⅞	− ⅞

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– X – Y – Z –								
59	34⅞	Xerox	3	5.4	15	2158	56⅞	55½	55⅞	− ⅛
44¼	23½	XTRA	.72	2.8	21	20	25	25⅛	25⅛	− ⅛
4¼	2⅛	Zapata				658	2⅝	2½	2½	− ⅛
12½	7⅛	Zemex	.20	2.5		12	7⅞	7⅞	7⅞	
21½	11½	ZenithE				1351	11⅞	d11⅛	11⅛	− ⅛
21½	16⅛	ZenNtl	.84	4.7	8	138	18⅛	18	18	− ⅛
10	6	Zenix	1.08	17.		109	6⅝	6½	6½	− ⅛
16½	14⅛	Zero s	.40	2.5	15	587	16⅛	16⅛	16⅛	− ⅛
44¼	25⅛	Zurnln	.76	2.0	17	506	38¼	37⅛	37½	− ⅛
12⅞	10	Zweig	1.21e	11.		724	11⅞	11½	11½	− ⅛
10	8¼	ZweigTl	.96	9.6		936	10	9¾	10	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices January 22

NASDAQ NATIONAL MARKET

3pm prices January 22

FINANCIAL TIMES

Tuesday January 23 1990

AMERICA

Dow declines on interest rate and earnings worries

Wall Street

A POTENT combination of worry that interest rates will not fall further, unease about the sluggish trend in corporate earnings and repeated bouts of programme selling took stocks sharply lower yesterday morning, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was 33.31 lower at 2,644.59 on unimpressive volume of 85m shares by midsession. The drop came after the Dow had closed modestly higher on Thursday and Friday, with gains of 7.25 and 11.52 respectively.

The Dow started steadily yesterday, registering a marginal gain after 15 minutes, but it was downhill from there. The bottom of the slide came at about noon, when the Dow was 40 points lower, before it appeared to stabilise.

The low volume suggested that stock index arbitrage activity was exaggerating price falls. There were at least three waves of selling related to stock index arbitrage plays, as Standard & Poor's 500 futures contracts fell to relatively small premiums to their underlying stocks in the cash market, prompting selling of cash stocks and buying of futures.

Providing background pessimism was a growing conviction that the US Federal Reserve is more concerned about inflationary pressures than a recession and is increasingly circumspect about initiating any further easing in monetary policy. The Treasury bond market remained weak.

Tomorrow sees the publication of the latest Tan Book of regional economic reports from US Federal Reserve banks which is used as a guide to monetary policy-making.

The market has already absorbed some disappointing fourth quarter earnings announcements and, while results announced yesterday were not too bad, more shocks have been hinted at by companies reporting within the next week.

Among these was Hercules, the chemical and plastics producer, which fell $1¼ to $36½ after it warned that it would record a fourth quarter charge of about $200m on programmes in its aerospace subsidiary. This would leave it with a loss of about $70m for the year.

First Executive, the Los Angeles-based insurance holding company, slumped $3½ to $4½ in over-the-counter trading after its announcement that it would take a year-end charge of as much as $515m because of losses on its junk bond portfolio.

Phelps Dodge fell $2 to $54¾ on estimates that the company could announce a net loss tomorrow of perhaps $4.50 a share for the fourth quarter.

United Technologies was dragged lower by the general gloom in spite of reporting record earnings for 1989 and a higher fourth quarter. Its shares fell $⅝ to $52⅛.

Motorola lost $1¾ to $55⅝ after Merrill Lynch lowered its rating on the stock to neutral from buy, citing its expectations of a sharp drop in operating margins.

Bucking the lower trend was American Home Products, which added $⅞ to $104⅞ after reporting fourth quarter net income of $1.95 a share, which was at the high end of Wall Street estimates.

Canada

ECONOMIC worries caused a weak morning showing in Toronto where the composite index slipped 40.2 points to 3824.8 on volume of 14.17m shares. Declines led advances 335 to 136.

Delta Airlines' lower-than-expected second quarter net earnings, higher oil prices and the slowing economy depressed airline stocks. Air Canada fell C$⅝ to C$10¼ and PWA slipped C$½ to C$12⅝.

Mining stocks suffered further setbacks, particularly base metals, due to falling prices and rising inventories.

ASIA PACIFIC

Sensitive Nikkei closes higher in thin volume

Tokyo

THE TOKYO market ended broadly higher, but in particularly thin trading volume which reflected a continuing lack of direction and an enduring sensitivity to unhelpful news, *writes Robert Thomson in Tokyo.*

Small-lot buying was influential in turning prices upwards in early trading in the wake of Friday's small gain, and the Nikkei average closed at its high for the day of 37,257.01, up 420.47 points, on turnover of only 377.9m shares, well down of Friday's slow 517m shares.

Advances outnumbered declines by 687 to 255, with 180 issues unchanged, while the low for the day was 36,851.25. The broad-based Topix index rose 34.54 to 2,735.85 and, in London trading, the ISE/Nikkei 50 index fell 1.92 to 2,051.04.

A foreign broker suggested that "a little bit of buying went a long way" in the market, but said that a more stable bond market had exercised a positive influence on stocks and that further signs that bonds have recovered would provide a base for a stronger stock performance.

There was a general feeling among traders that institutional buyers are still on the sidelines and will remain so until there are more positive indicators. The release of government figures yesterday showing that wholesale prices were stable in the first 10 days of January eased fears of an imminent increase in the official discount rate by the Bank of Japan, which is deeply concerned by the prospect of increasing inflation.

Mr John Courtney, of W.I. Carr, said that yesterday's Nikkei index rise was, at least, a technical bounce, as programme buying linked to stock index arbitrage pushed prices up. He said that a "small amount of action could turn things around rapidly."

There was interest in shipbuilding and steel stocks, which had been weaker in expectation of another increase in the discount rate, while there was an improved performance by the leading trading houses, the real estate stocks and railway issues.

The reconvening of the Japanese parliament reinforced concerns about the fate of the ruling Liberal Democratic Party at an election scheduled for next month. Mr Nicola Salatti, of UBS Phillips & Drew, said that foreign investors were particularly wary of the consequences of the election.

Among stocks doing well were Kawasaki Steel, which was up Y30 at Y790, Mitsubishi Heavy Industries, Y40 higher at Y1,120, and Toshiba, rising Y20 to Y1,180. There was little enthusiasm for technology stocks such as Sony, which lost Y60 to Y8,590, and TDK, down Y70 at Y6,240.

A side-effect of the Soviet troubles was a slight leaning towards domestic stocks, including the real estate issues, with Mitsui Real Estate and Development up Y70 at Y2,740 and Sumitomo Realty and Development gaining Y70 to Y2,060.

The Osaka Stock Exchange average rose 290.57 to 38,088.27 on a volume of 30.8m shares, down from Friday's 35m.

Roundup

SPECULATION, financial and political, came to the fore yesterday in the Pacific Basin, as markets entered the final run up to the Chinese new year holiday which starts tomorrow.

TAIWAN put on another 3 per cent, the weighted index closing 346.81 higher at 11,769.32 for a 22 per cent gain since the end of 1989.

There was some suspicion that big speculators were pushing stocks to establish quick profits, before the new 0.6 per cent stock transaction tax dampens the casino atmosphere in Taipei.

However, the UK securities house, SG Warburg, seemed to be subscribing to the long-term prospects of the market as it followed its Japanese counterparts in buying 10 per cent of Taiwan Securities.

SEOUL, uncharacteristically, rose by 3 per cent as well, the composite index closing 25.92 higher at 898.89 on the news that three major political parties will dissolve themselves to form a new centrist party.

Trading was heavy, with 17.4m shares valued at 362.6bn won. Financial shares, which accounted for 35 per cent of volume, posted a 4 per cent gain. Investors believed that a centrist party system would stabilise the political atmosphere in South Korea and help revive the economy.

AUSTRALIA was mixed, but a fall in base metal prices triggered selling of mining stocks and the All Ordinaries index edged down another 1.6 to 1,672.3. Turnover rose from A$214m to A$227m.

The recent relative strength of the Australian dollar is a negative, short-term influence on resource stocks; Western Mining, the blue chip of the sector, dropped 12 cents to A$6.18 on turnover of 4m shares, while CRA fell 20 cents to A$12.00.

Leading bank issues were the brightest performers, although News Corp ended a long slide by firming 10 cents to A$12.80.

SINGAPORE liked the strong finish in Tokyo and the Straits Times Industrial Index rose 8.20 to 1,535.41. HONG KONG had its worst day for business since last September 1, as turnover fell from HK$493m to HK$457m and the Hang Seng index closed 4.64 lower at 2,771.65.

Cautious heavyweights lead global retreat

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	−3.08	+21.72	+103.18	+15.99	+11.65	+14.05
Belgium	−2.21	+0.32	+6.29	−0.10	−2.61	−0.62
Denmark	−0.66	+3.45	+30.38	+1.43	−1.23	+0.89
Finland	+1.82	+4.35	+0.32	+5.26	+3.70	+5.91
France	−1.95	−2.77	+19.25	−3.40	−5.50	−3.48
W. Germany	−4.30	+5.00	+33.01	+0.04	−2.80	−0.72
Ireland	+1.98	+9.10	+39.16	+8.06	+5.72	+7.98
Italy	−1.69	+1.45	+8.91	+0.69	−1.43	+0.68
Netherlands	−1.34	−3.35	+10.55	−4.63	−7.02	−5.03
Norway	−0.19	+9.22	+31.05	+5.94	+3.95	+6.18
Spain	−2.42	−3.67	−0.44	−4.15	−7.94	−5.05
Sweden	−4.42	+4.74	+30.98	+1.27	−1.14	+0.98
Switzerland	−2.56	+0.77	+19.95	−0.54	−0.81	+1.32
UK	−1.85	−0.75	+19.31	−3.16	−3.16	−1.09
EUROPE	−2.31	+0.26	+19.47	−1.95	−2.34	−1.27
Australia	−2.15	+2.12	+3.143	+1.84	+0.03	+2.17
Hong Kong	−1.96	−5.25	−4.77	−2.27	−4.38	−2.32
Japan	−3.33	−4.85	+7.25	−7.04	−10.12	−8.19
Malaysia	−2.70	+0.88	+51.95	−0.48	−1.86	+0.24
New Zealand	−1.64	+0.00	+7.00	−0.62	+0.18	+2.32
Singapore	−2.48	+3.13	+34.73	+3.44	+2.65	+4.85
Canada	−0.10	−1.33	+8.91	−2.08	−5.85	−3.83
USA	−0.19	−2.36	+17.84	−3.99	−6.01	−3.99
Mexico	+1.19	+4.17	+143.12	+2.84	+0.49	+2.65
South Africa	−2.43	+5.26	+53.94	+6.37	+8.57	+10.89
WORLD INDEX	−2.02	−2.66	+13.36	−4.56	−6.89	−4.88

† Based on January 19 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

By Jacqueline Moore

PLUS SIGNS were rare last week, with only three of the markets covered by the FT-Actuaries World Indices showing a gain.

Two of the global heavyweights were among the three worst performers, with West Germany dropping by 4.3 per cent and Japan by 3.3 per cent. The World Index, however, was restricted to a fall of 2 per cent, thanks to a relatively minor decline in the US of 0.2 per cent following its 3.5 per cent plunge the previous week.

In spite of the small fall in the US index on the week, America influenced many foreign markets by its sheer volatility. Poor corporate results, including those from IBM on Wednesday, produced selling pressure on Wall Street which in turn provoked bargain-hunting. As a result, the Dow Jones Industrial Average swung wildly, recording double-digit closing losses or gains on four days and leaving overseas investors confused.

Another reason for caution was Japan's performance, as the Tokyo market, which was shut on Monday, followed the large fall at the end of the previous week with another rapid retreat on Tuesday. Weak bond prices were the main culprit, although volume of trade in the equity market was very thin, suggesting that selling was not active.

According to Nomura Research Institute, the declines in Japan's bond market have weakened the equity market in two ways. "Apart from the fact that rising bond yields have further undermined the valuation basis of the equity market, rumours of an accounting change, whereby realised losses on banks' [bond] portfolios can be offset against profits on equity portfolios, have added to its problems," it writes in its Global Economy publication.

The third drain on investment confidence last week started with the unrest in the Soviet Union. This helped send West Germany into retreat, as optimism about Eastern Europe, which had fuelled the market's rally earlier in the year and at the end of 1989, became more subdued.

International blue chips fell sharply, with selling on fears about the Soviet Union exacerbated by domestic profit-taking and an absence of foreign buying. Nevertheless, over a four-week period, the German index remains 5 per cent higher.

The Swedish market fell even further than West Germany. Stockholm closely tracked Wall Street's performance on most days, but it failed to follow the US up again on Friday as Sweden's own interest rate and economic worries took hold. The forestry sector, in particular, had a very gloomy week, as warnings of lower pulp prices led to active selling of stocks.

Austria also fell heavily, losing 3.1 per cent on the week, but it remains 21.7 per cent higher over the past four weeks. Kleinwort Benson in its Austria Quarterly predicts that the market will stay dull in the medium term, but adds: "Despite recent rises, value is still to be found."

The only uphill progress in the world was in Ireland, Finland, and Mexico, none of which showed gains of more than 2 per cent.

EUROPE

Bourses finish weak after encouraging start

THE SOURING of Wall Street did not make a big impact on continental bourses yesterday, although they did show a tendency to start well, and finish more nervously, *writes Our Markets Staff.*

FRANKFURT opened firmer, but grew introspective after the market failed to sustain an early rebound from last week's losses. The FAZ index rose 3.41 to 747.19 but the DAX, up 16.02 early in the session, ended 5.74 higher at 1,779.30 after a fall of 82.10, or 4.4 per cent, last week.

Volume was low, by recent standards, at DM4.6bn. The most obvious features were speculative, but nervously so: Hoesch jumped DM9 to DM313 on reports of a link with British Steel, but lost DM4 of that after it issued a denial; Deutsche Babcock tumbled DM6.50 to DM209.50 after a magazine report estimated its operating loss at over DM100m for 1989.

Anticipation was more attractive than the event. Attention returned to the tyre maker and takeover favourite, Continental, which subsided during the recent rally but ended DM6.50 higher yesterday at DM316.50. But when the retailer, Kaufhof, said that it would float 25 per cent of its Kaufhalle subsidiary for DM231m, it fell DM3 to DM677.

PARIS closed its monthly account with a quiet session, as even the speculators found little to interest them. Turnover was estimated at less than FFr2bn. The CAC 40 index fell 10.13 to 1,915.82, making this the first monthly account for some time to open strongly and finish weakly.

One winner was Rhône-Poulenc, the chemical company, which saw its investment certificates gain FFr6.50 to FFr436.50. It rose because of its assertion that it had found a way to finance its bid for Rorer, the US pharmaceuticals company; on the chairman's forecast of a 15 per cent rise in profits; and as a rebound from its sharp fall on Friday.

Saint-Gobain continued to retreat, dropping FFr21 to FFr600, after last week's report of a smaller increase in profits than many had expected.

AMSTERDAM followed Frankfurt down from its day's highs to close slightly lower in modest volume. Shares had risen earlier in response to Tokyo's overnight gain and a firmer dollar. The CBS tendency index slipped 0.4 to 113.2.

Amev, the insurer, lost 50 cents to Fl 57, after reaching Fl 58.10 earlier. Amev said that it would take full control of VSB Groep, the Dutch savings bank in which it already has a 15 per cent stake, through a share swap. As part of the deal, Amev will issue 3.8m new shares, a 6.25 per cent increase in its issued equity.

KNP, the paper maker, fell another Fl 1.60 to Fl 40.30, after easing Fl 5.70 on Friday, in response to its forecast on Thursday of a decline in first-half profits.

Geveke, the machinery group, gained Fl 1.70 to Fl 46 after saying that 1989 net profit was more than Fl 10m, compared with the previous year's Fl 8.5m.

MILAN had a good start to the week, in volume estimated at close to Friday's L200bn, the Comit index rising 4.44 to 701.82 with action in Fiat and insurance stocks.

Fiat common stock rose L78 to L10,970 ahead of today's results which are expected to show consolidated gross operating profits of nearly L5 trillion (million million), up from L3.8 trillion in 1988.

Insurance stocks saw Generali rise L270 to L41,400 and more sizeable gains in lesser lights such as Italia Assicurazioni (up 4 per cent), Latina (1.4 per cent) and Milano Assicurazioni (2.7 per cent).

MADRID eased again in quiet trading, with the general index losing 0.21 to 285.92. Banco Santander became the first leading commercial bank to move from trading by open outcry to the computerised continuous market, losing Pta22 to Pta5,370 by midsession. The bank reported group pre-tax profits of Pta81bn, up from Pta63bn.

Repsol eased 5 percentage points to 484 per cent of par; it reported net profits up 16 per cent last year.

ZURICH was listless, the Crédit Suisse index easing 1.1 to 611.6. Elektrowatt, which said that an indicated 10.6 per cent increase in dividend was based on "pleasing" results, closed unchanged at SFr3,070.

HELSINKI was lifted by the forestry sector, led by United Paper Mills, and the Unitas index rose 32.8 to 672.8.

UPM's restricted ordinary climbed FM65 to FM250. Metsä-Serla, the forestry group which bought 25 per cent of UPM last week and has since been in the market for more, saw its free Bs add FM7 to FM190. One dealer said that the forestry index had risen 20 per cent yesterday.

BRUSSELS closed mostly lower in thin trade as the cash index slipped 8.75 to 6,440.65. Among the fallers was Arbed, down BFr40 at BFr5,160.

ISTANBUL surged 6 per cent, as the index added 205 points to 3,599.22, in spite of reports that the police had seized about TL15bn worth of fake shares in the Cukurova Elektrik electricity company.

A PAY dispute which may close the Swedish bourse from Monday depressed trading volume and prices on the Stockholm bourse. The bank employees' union has threatened to strike from Monday in pursuit of a 15 per cent pay increase; the banks responded yesterday by warning that they might lock out staff, which would also close the Swedish Securities Register Centre and halt equity trading.

The Affärsvärlden general index closed at 1,252.5, down 9.5, on turnover of SKr222m.

SOUTH AFRICA

NERVOUS trading caused by the listless gold price and the uncertain trend on overseas markets pulled Johannesburg down for a fourth consecutive session.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY JANUARY 19 1990						THURSDAY JANUARY 18 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	154.66	−0.2	139.22	129.77	−0.1	5.25	155.03	139.72	129.87	160.41	128.28	150.68
Austria (19)	207.79	−0.4	187.04	185.50	+0.3	1.31	208.59	188.00	184.87	219.85	92.84	95.07
Belgium (61)	153.86	−0.1	138.50	135.65	−0.1	4.12	154.08	138.87	135.84	160.02	125.58	133.37
Canada (120)	146.35	−0.5	131.74	125.00	+0.2	3.20	147.02	132.51	124.72	154.17	124.67	133.42
Denmark (36)	244.37	−0.4	219.98	219.86	−0.2	1.44	245.44	221.21	220.40	250.34	165.35	158.10
Finland (26)	141.18	+0.4	127.09	119.04	+0.5	2.62	140.68	126.79	118.39	159.16	118.63	132.54
France (125)	150.60	−0.1	135.57	136.78	−0.4	2.75	150.75	135.87	137.27	157.97	112.57	116.43
West Germany (96)	122.83	+0.2	110.56	108.84	+0.0	1.93	122.54	110.44	108.81	130.32	79.56	85.38
Hong Kong (48)	114.41	+0.5	102.98	114.70	+0.5	4.97	113.86	102.62	114.16	140.33	86.41	120.28
Ireland (17)	196.02	+1.8	176.46	177.91	+1.8	2.44	192.62	173.60	174.71	196.69	125.00	131.80
Italy (96)	99.10	+0.4	89.21	93.87	+0.1	2.44	98.67	88.93	93.75	102.11	74.97	85.43
Japan (455)	181.23	+0.1	163.14	166.79	−0.2	0.49	181.02	163.15	167.12	200.11	164.22	191.84
Malaysia (36)	229.59	+0.0	206.67	239.18	+0.1	2.24	229.48	206.82	238.93	238.21	143.35	150.04
Mexico (13)	334.08	+1.2	300.73	984.40	+1.2	0.53	330.18	297.58	972.81	337.02	153.32	161.12
Netherland (43)	136.65	+1.2	123.01	119.69	+0.9	4.50	134.98	121.68	118.57	145.65	110.63	114.04
New Zealand (18)	73.76	−0.4	66.40	64.04	+0.0	5.50	74.08	66.77	64.06	86.18	62.64	71.13
Norway (24)	212.20	+0.7	191.01	189.52	+1.1	1.44	210.67	189.87	187.50	219.26	139.92	158.79
Singapore (26)	185.80	+0.1	167.25	160.50	−0.7	1.81	185.63	167.31	161.60	189.94	124.57	133.11
South Africa (60)	217.93	−2.3	196.18	161.75	−2.5	3.51	223.09	201.06	165.86	229.41	115.35	126.17
Spain (43)	154.34	−0.6	138.93	129.55	−0.1	4.09	155.27	139.94	129.74	169.75	143.14	149.68
Sweden (35)	193.93	−2.1	174.57	178.28	−1.8	1.92	198.14	178.58	181.57	206.95	138.45	146.12
Switzerland (62)	95.31	+1.4	85.79	89.46	+1.1	2.00	94.00	84.72	88.49	99.12	67.81	76.75
United Kingdom (306)	156.97	+0.1	141.30	141.30	+0.0	4.47	156.83	141.34	141.34	164.31	133.28	141.27
USA (542)	137.34	+0.3	123.63	137.34	+0.3	3.41	136.89	123.37	136.89	146.29	112.13	116.55
Europe (989)	140.57	+0.2	126.54	125.84	+0.0	3.39	140.32	126.46	125.79	146.66	112.63	116.52
Nordic (121)	190.55	−1.0	171.53	166.12	−0.8	1.72	192.57	173.55	167.43	198.12	137.95	143.01
Pacific Basin (667)	177.80	+0.1	160.05	163.40	−0.2	0.75	177.61	160.07	163.69	194.72	160.44	187.18
Euro – Pacific (1656)	163.11	+0.1	146.82	148.47	−0.1	1.67	162.89	146.81	148.62	174.18	141.58	158.90
North America (662)	137.78	+0.3	124.03	136.57	+0.3	3.40	137.40	123.83	136.13	146.66	112.79	117.46
Europe Ex. UK (683)	129.26	+0.2	116.36	116.29	+0.1	2.67	128.96	116.22	116.19	134.66	96.30	101.02
Pacific Ex. Japan (212)	136.35	+0.0	122.74	120.64	+0.0	4.79	136.37	122.90	120.60	140.05	111.93	131.36
World Ex. US (1849)	163.15	+0.1	146.86	148.07	−0.1	1.74	163.02	146.92	148.25	173.77	141.49	157.69
World Ex. UK (2085)	152.52	+0.2	137.29	144.72	+0.0	2.04	152.26	137.23	144.69	162.00	136.98	141.93
World Ex. So. Af. (2331)	152.50	+0.2	137.28	144.25	+0.0	2.26	152.22	137.19	144.18	161.84	136.67	141.95
World Ex. Japan (1936)	139.61	+0.2	125.85	132.92	+0.2	3.45	139.54	125.76	132.70	145.52	114.51	117.83
The World Index (2391)	152.90	+0.2	137.63	144.36	+0.0	2.27	152.65	137.58	144.33	162.05	136.68	141.86

Latest prices were unavailable for this edition.